



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

May 29, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**RECOMMENDATION TO AWARD MASTER AGREEMENTS FOR
AS-NEEDED CONTRACT AUDITS/STUDIES
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chairman to sign Master Agreements substantially similar to Attachment III, with each of the five firms listed on Attachment I, effective upon Board approval through June 30, 2004, with an option for two additional years to be exercised at the sole discretion of the Auditor-Controller.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On July 31, 2001, your Board approved Master Agreements with 61 independent accounting and consulting firms (Attachment II). These agreements expire June 30, 2004. Included in the approval of the Agreements is a provision to annually consider additional firms for Agreements. We are requesting your approval of Master Agreements with five additional firms.

The Master Agreement process has proved to be very successful. During the 14 years since Master Agreements were first approved, 201 specific projects have been contracted out to Master Agreement firms. These projects have ranged from small financial audits to comprehensive management reviews. By contracting, we have been able to respond quickly to the County's needs for audit services when Audit Division staff was not available, and to obtain services which required expertise that our staff did

not possess. The Audit Division has closely reviewed the contractors' performances and ensured the contractors delivered high quality services and superior final products.

Implementation of Strategic Plan Goals

These Agreements are (collectively) one of the tools the Auditor-Controller uses to enforce financial procedures and internal control standards, and to provide expert advice to policy-makers and managers to improve accountability, efficiency, and effectiveness of County operated programs. They are very important in that they will assist in meeting the County and Auditor-Controller strategic plan goal of increasing fiscal integrity and accountability in County government. Specifically, these Agreements will facilitate the Auditor-Controller's efforts to achieve its strategic plan objectives of conducting 15 program audits and a fiscal review in every County department by Fiscal Year 2005.

FISCAL IMPACT/FINANCING

Approval of the five additional Master Agreements for As-Needed Contract Audits/Studies through June 30, 2004, will not commit the County to expend any funds until such time as the Master Agreement firms bid on and are selected to complete individual projects.

The appropriation authorization to cover payment for as-needed contract audits/studies has been requested in the departments' or the Auditor-Controller's 2002-03 budget. The costs of most projects contracted through the Master Agreements are funded by the affected department's budget. Funds for payment of work performed in future years is subject to appropriation by your Board.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Each of the firms we are recommending for a Master Agreement has been pre-qualified for one or more of three Project Types: Financial/Compliance Audits, Management Audits, and Special Studies (see Attachment I).

When an individual project can be most expediently and/or cost effectively performed by an independent contractor, we prepare the solicitation documents and notify all firms pre-qualified for the specific Project Type. To allow all firms to compete for larger projects, each firm is given the opportunity to form project teams by subcontracting with other firms.

After interested firms submit proposals to the Auditor-Controller, an evaluation committee, often composed of individuals from multiple departments, reviews the proposals and recommends a firm for the project. As previously agreed with your Board,

The Honorable Board of Supervisors
May 29, 2002
Page 3

we will inform you in writing of each proposed project which exceeds \$100,000, prior to finalizing the contract. The notice will outline the scope of the specific project.

The five firms we are recommending for Master Agreements have all agreed to abide by the County Lobbyist Ordinance, to provide health insurance coverage for their employees that work on County projects, and to comply with the County Child Support Compliance Program and all other Board, Chief Administrative Officer, and County Counsel requirements.

CONTRACTING PROCESS

When planning the selection process for the new Master Agreements, we increased the pool of eligible firms, with increased emphasis on reaching community business enterprises (CBE). We worked with the Affirmative Action Compliance Officer to increase our outreach, and the solicitation was posted on the Office of Small Business' Web page.

On December 21, 2000, notice of the Request for Proposals (RFP) was mailed to 1,321 independent accounting and consulting firms, 831 of which we believed to be CBE. As a result of the solicitation, we recommended that your Board approve Agreements with 61 firms.

Subsequent to the solicitation of firms in 2001, 19 other firms expressed interest in a Master Agreement. Some firms were among the 1,321 originally solicited. Others were referred to us. Of these 19 firms, 14 requested the Request for Proposals and six firms submitted a proposal. One firm did not have the required experience and was rejected. We are recommending five firms (three CBEs) for Master Agreements.

The Auditor-Controller has evaluated and determined that the Living Wage Program (County Code Chapter 2.201) does not apply to the recommended Master Agreements.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

At your Board's direction, the Auditor-Controller is planning future management audits of County departments. Additionally, there are several annually recurring audits that have been conducted by Master Agreement firms. These Master Agreements will give the Auditor-Controller the flexibility to efficiently contract for any needed expertise or manpower to perform any of these audits.

The Honorable Board of Supervisors
May 29, 2002
Page 4

CONCLUSION

After approval and signature, the contractors' and Auditor-Controller's copies of the Master Agreements should be sent to the Auditor-Controller's Audit Division, 380 Hall of Records.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J. Tyler McCauley". The signature is fluid and cursive, with the first name "J. Tyler" and last name "McCauley" clearly distinguishable.

J. Tyler McCauley
Auditor-Controller

JTM:JEM
MA 2003 Board Letter.doc

Attachments (3)

c: Chief Administrative Officer
County Counsel
Auditor-Controller

Additional Master Agreement Firms

Computer Sciences Corporation
2100 East Grand Avenue
El Segundo, CA 90245

Project Type: Special Studies

Leslie Accountancy, A Certified Public Accounting LLP
(Hispanic/Latino Business Enterprise)
6310 San Vicente Blvd., Suite 320
Los Angeles, CA 90048-5426

Project Types: Special Studies

LMS Consulting
32919 Brookseed Drive
Trabuco Canyon, CA 92679

Project Types: Special Studies

Qui Accountancy Corporation
(Asian or Pacific Islander Business Enterprise)
1501 South Atlantic Blvd., Suite 1
Alhambra, CA 91803

Project Type: Financial/Compliance Audits
Special Studies

Thompson, Cobb, Bazilio & Associates, PC
(Black/African American Business Enterprise)
21250 Hawthorne Blvd., Suite 500
Torrance, CA 90503

Project Types: Financial/Compliance Audits
Management Audits
Special Studies

Current Master Agreement Firms

American Consulting Company, Inc.
Arroyo Associates, Inc.
Arthur Consulting Group, Inc.
Barbara Mollow, CPA
Barrington-Wellesley Group, Inc.
Berkshire Advisors, Inc.
Brown Armstrong Randall Paulden
McCown Hill Starbuck & Keeter
Accountancy Corporation
Cargill Associates
Conrad & Associates, L.L.P.
Crowe, Chizek and Company LLP
Cyberspace Technologies
International, Inc.
Deloitte Consulting LP
Doherty & Company, Inc.
ECG Management Consultants, Inc.
Edwards, Eichel & Beranek
Financial Management Consulting
Franklin Hill Group
Harvey M. Rose
Accountancy Corporation
Health Tactics
Institute for Law and Policy Planning
International FieldWorks, Inc.
Jefferson Wells International
Jeffery, Corrigan & Shaw LLP
Jones and Company
Professional Consultants
Justice Served
KH Consulting Group
KPMG LLP
Loffredo & Co., C.P.A.
M. R. Grant, CPA

Macias, Gini & Company LLP
McGladrey & Pullen, LLP
MGT of America, Inc.
Moore Stephens Frazer
and Torbet, LLP
MTG Management Consultants, L.L.C.
Navigant Consulting, Inc.
Nuñez & Associates, Inc.
PA Consulting Group
Padilla & Associates
Perceptive Enterprises, Inc.
PricewaterhouseCoopers LLP
Quezada & Company
R.L. Hinton, CPA P.C.
Ramirez International Financial
& Accounting Services, Inc.
RSM McGladrey, Inc.
Simpson & Simpson, CPAs
Sjoberg Evashenk Consulting, LLC
Strategica Incorporated
Sultan & Company LLC
Summit Group Ltd.
Tama Smith & Associates, Inc.
Teletron, Inc.
The Lewin Group, Inc.
The Resources Company
Thornton & Pacheco, LLP.
Vargas, Lopez and Company, LLP
Vasquez & Company LLP
Walter R. McDonald & Associates, Inc.
Wang Professional Corporation
William M. Mercer, Incorporated
Williams and Tucker
Accountancy Corporation

**MASTER AGREEMENT
FOR
AS-NEEDED CONTRACT AUDITS/STUDIES**



**BETWEEN
THE COUNTY OF LOS ANGELES
AND
«FIRM NAME»**

2002-2004

COUNTY OF LOS ANGELES
2002-2004 MASTER AGREEMENT FOR
AS-NEEDED CONTRACT AUDITS/STUDIES
Table of Contents

<u>Section</u>	<u>Page</u>
1. DEFINITIONS.....	1
1.1. Key Personnel.....	1
1.2. Master Agreement.....	1
1.3. Work Order.....	2
1.4. Work Order Request	2
1.5. Project Type	2
1.6. Statement of Work	2
1.7. Project Inquiry Letter	2
1.8. County Fiscal Year	3
1.9. Master Agreement Rates	3
1.10. Multi-Year Repetitive Projects	3
1.11. Inactive Status.....	3
1.12. Mandatory Completion Date.....	3
2. APPLICABLE DOCUMENTS.....	3
2.1. Entire Agreement	3
2.2. Interpretation	3
3. ADMINISTRATION OF MASTER AGREEMENT - COUNTY	4
3.1. County Contract Administrator	4
3.2. County Contract Manager	4
4. ADMINISTRATION OF MASTER AGREEMENT - CONTRACTOR	5
4.1. Contractor Master Agreement Administrator	5
4.2. Contractor Project Administrator	6
4.3. Progress Reports	6
4.4. Monthly Invoices for Progress Payments	6
4.5. Change of Address	6
5. PROJECT TYPES AND REQUIREMENTS.....	6
5.1. Financial/Compliance Audits	7
5.2. Management Audits	8
5.3. Special Studies	9
5.4. Qualified Project Types	9

<u>Section</u>	<u>Page</u>
6. WORK ORDERS	9
6.1. Selection of a Contractor	9
6.2. Execution of Work Orders	11
6.3. Description of Services.....	11
6.4. Report Quality Standards	12
6.5. Contractor Personnel	13
6.6. County Approval of Completed Work	14
6.7. Reporting Suspected Fraud	14
7. CHANGE NOTICES AND AMENDMENTS	15
7.1. Master Agreement Changes	15
7.2. Work Order Changes	15
8. TERM	15
9. CONTRACT SUM.....	16
10. CONTRACTOR'S RATES	16
10.1. Master Agreement Rates by Project Type	16
10.2. Annual Master Agreement Rate Adjustment	16
10.3. Master Agreement Rates are Maximum Rates	17
11. CERTAIN COUNTY REMEDIES	17
12. INVOICES, APPROVALS, AND PAYMENTS.....	18
12.1. Monthly Invoices for Progress Payments	18
12.2. Approval and Payment of Progress Payments.....	19
12.3. Approval and Payment of Final Invoice	19
12.4. Adjustments for Quality of Report Deliverables.....	20
12.5. Adjustments for Delays in Providing Report Deliverables	20
13. COUNTY'S QUALITY ASSURANCE PLAN	20
14. PROHIBITION AGAINST ASSIGNMENT AND DELEGATION	21
15. COVENANT AGAINST CONTINGENT FEES	21
15.1. Contractor's Warranty	21
15.2. Breach of Warranty	21
16. LOBBYIST ORDINANCE.....	21
17. TERMINATION FOR IMPROPER CONSIDERATION	21
18. INDEPENDENT CONTRACTOR STATUS.....	22
19. SUBCONTRACTS AND JOINT VENTURES	22
19.1. Subcontracts	22
19.2. Joint Ventures	23

<u>Section</u>	<u>Page</u>
20. CONSIDERATION OF HIRING COUNTY EMPLOYEES TARGETED FOR LAYOFFS	23
21. CONSIDERATION OF GAIN PROGRAM PARTICIPANTS FOR EMPLOYMENT	23
22. INDEMNIFICATION.....	23
23. INSURANCE	23
23.1. Evidence of Insurance.....	24
23.2. Insurer Financial Ratings.....	24
23.3. Failure to Maintain Coverage	24
23.4. Notification of Incidents, Claims or Suits	24
23.5. Compensation for County Costs	25
23.6. Insurance Coverage Requirements for Subcontractors	25
23.7. Insurance Coverage Requirements.....	25
24. EMPLOYEE HEALTH INSURANCE.....	26
25. RECORDS AND AUDITS	26
25.1. Contractor's Records.....	26
25.2. County's Right to Audit.....	27
26. AUDIT SETTLEMENT	27
27. DISCLOSURE OF INFORMATION	27
28. PROPRIETARY CONSIDERATIONS AND CONFIDENTIALITY	28
29. PATENT, COPYRIGHT AND TRADE SECRET INDEMNIFICATION	29
30. COMPLIANCE WITH APPLICABLE LAWS.....	29
31. NONDISCRIMINATION AND AFFIRMATIVE ACTION	29
32. CAPTIONS, PARAGRAPH, AND SECTION HEADINGS.....	30
33. GOVERNING LAWS AND VENUE.....	30
34. WAIVER	31
35. SEVERABILITY	31
36. EMPLOYMENT ELIGIBILITY VERIFICATION	31
37. TERMINATION FOR CONVENIENCE	31
38. TERMINATION FOR DEFAULT	32
39. CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM	33
40. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM	33

<u>Section</u>	<u>Page</u>
41. CONTRACTOR'S ACKNOWLEDGEMENT OF COUNTY'S COMMITMENT TO CHILD SUPPORT ENFORCEMENT	34
42. CONTRACTOR RESPONSIBILITY AND DEBARMENT	34
43. LIMITATION OF COUNTY'S OBLIGATION DUE TO NON-APPROPRIATION OF FUNDS.....	35
44. NOTICE OF DELAYS	35
45. VALIDITY.....	35
46. FORCE MAJEURE	36
47. NOTICES.....	36
48. WARRANTY	36
49. AUTHORIZATION WARRANTY	36
50. RECYCLED-CONTENT PAPER USAGE	36
51. FEDERAL EARNED INCOME CREDIT.....	36

EXHIBITS

- A. SCHEDULE OF PROJECT TYPES AND BILLING RATES
- B. SAMPLE WORK ORDER REQUEST
- C. SAMPLE WORK ORDER
- D. SAMPLE STATEMENT OF WORK
- E. SECTIONS OF CHAPTER IX OF THE COUNTY AUDITOR-CONTROLLER'S
AUDIT DIVISION OPERATING MANUAL
- F. CONTRACTOR'S EEO CERTIFICATION

**COUNTY OF LOS ANGELES
2002-2004 MASTER AGREEMENT FOR
AS-NEEDED CONTRACT AUDITS/STUDIES**

This Master Agreement (hereafter sometimes referred to as "Master Agreement") is entered into by and between the County of Los Angeles (hereafter "County") and <<Firm Name>> (hereafter "Contractor") to provide County with contract financial/compliance audits, management audits, and special studies, as needed (hereafter "Contract Services").

1. Definitions

1.1. Key Personnel

1.1.1. County Contract Administrator

Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

1.1.2. County Contract Manager

Mr. DeWitt Roberts, Chief
Audit Division
320 West Temple Street, Room 380
Los Angeles, CA 90012-3208
(213) 974-0301

1.1.3. Contractor Master Agreement Administrator

<<Name>>
<<Title>>
<<Firm Name>>
<<Address>>
<<City>>, <<St>> <<Zip>>
Phone: <<Phone>>
Fax: <<Fax>>

1.2. Master Agreement

The term "Master Agreement" shall mean County's standard Master Agreement entitled "Master Agreement for As-Needed Contract Audits/Studies," which is separately executed between County and individual contractors and which sets forth the terms and conditions for the issuance and performance of, and otherwise governs, subsequent Work Orders (see Section 1.3.) for the provision of Contract Services to County. County shall execute Master Agreements with as many contractors as County deems qualified and desirable for County needs.

All Master Agreements shall have the same expiration date (see Section 8. "Term"). The "Contract Sum" (see Section 9.), shall be the total dollar amount payable by County for all Master Agreements, and is not intended to grant any right to any compensation to any specific contractor. This agreement is one of the Master Agreements.

1.3. Work Order

The term "Work Order" shall mean a subordinate agreement (see Exhibit C for a sample Work Order) executed pursuant to this Master Agreement, for the performance of tasks and/or deliverables described in a "Statement of Work" (see Section 1.6.) to be attached to the Work Order. County shall select a contractor in accordance with Section 6.1. "Selection of a Contractor." No work shall be performed by Master Agreement contractors except in accordance with validly executed Work Orders.

1.4. Work Order Request

The term "Work Order Request" shall mean the document used to solicit proposals for a given project (see Exhibit B for a sample Work Order Request).

1.5. Project Type

The term "Project Type" shall mean the description in the Project Title of a Work Order or Work Order Request indicating the type of Contract Services, i.e., a financial/compliance audit, a management audit, or a special study (see Section 5. "Project Types and Requirements").

1.6. Statement of Work

The term "Statement of Work" shall mean a written description (see Exhibit D for a sample Statement of Work) of tasks and/or deliverables desired by County for a specific Work Order. The required work and deliverables shall be set forth in the Work Order Request with sufficient clarity and detail to enable the preparation of proposals from Master Agreement contractors, and the performance of the work by the selected Master Agreement Contractor. A Statement of Work shall be attached to and made a part of each executed Work Order.

1.7. Project Inquiry Letter

The term "Project Inquiry Letter" shall mean a written document that briefly describes a project, including the time frame and any special requirements. The Project Inquiry Letter will be mailed, faxed, or e-mailed to all qualified Master Agreement contractors and shall inquire as to their interest in the project.

1.8. County Fiscal Year

County Fiscal Year begins on July 1 of each year and continues until June 30 of the following calendar year. The dates of County Fiscal Year 2001-02 are July 1, 2001, through June 30, 2002.

1.9. Master Agreement Rates

The term "Master Agreement Rates" shall mean the maximum billing rates for each Project Type to be used by Contractor in Work Orders under this Master Agreement (See Section 10. "Contractor's Rates").

1.10. Multi-Year Repetitive Projects

The term "Multi-Year Repetitive Projects" shall refer to certain Master Agreement projects that are repeated on a cyclic basis and are solicited for more than one annual cycle (see Section 6.2.3.).

1.11. Inactive Status

The term "Inactive Status" shall mean that for one or more project types, Contractor will not be sent Project Inquiry Letters or Work Order Requests, nor be allowed to submit a proposal in response to a Work Order Request.

1.12. Mandatory Completion Date

The term "Mandatory Completion Date" shall mean that for a time critical project, County will set forth in the Work Order, a date by which the project must be completed.

2. Applicable Documents

2.1. Entire Agreement

The body of this Master Agreement, and Exhibits A, B, C, D, E, & F as shown below and attached thereto, shall constitute the complete and exclusive statement of understanding between the parties which supersedes all previous agreements, written or oral, and all communications between the parties relating to the subject matter of this Master Agreement.

Exhibit A - SCHEDULE OF PROJECT TYPES AND BILLING RATES

Exhibit B - SAMPLE WORK ORDER REQUEST

Exhibit C - SAMPLE WORK ORDER

Exhibit D - SAMPLE STATEMENT OF WORK

Exhibit E - SECTIONS OF CHAPTER IX OF THE COUNTY AUDITOR-
CONTROLLER'S AUDIT DIVISION OPERATING MANUAL

Exhibit F - CONTRACTOR'S EEO CERTIFICATION

2.2. Interpretation

In the event of any conflict or inconsistency in the definition or interpretation of any word, responsibility, schedule, or the contents or description of any task,

deliverable, service, or other work, between the body of this Master Agreement and the Exhibits, or between Exhibits, such conflict or inconsistency shall be resolved by giving precedence first to the body of this Master Agreement, then to the Exhibits in priority of the order in which they are listed in Section 2.1. "Entire Agreement".

3. Administration of Master Agreement - County

3.1. County Contract Administrator

- 3.1.1. The County Contract Administrator for this Master Agreement shall be the person identified in the "Key Personnel" Section (Section 1.1.1.). County shall notify Contractor in writing of any change in the name or address of the County Contract Administrator.
- 3.1.2. The County Contract Administrator is expressly authorized to execute all Work Orders and amendments thereto for County under this Master Agreement.
- 3.1.3. The County Contract Administrator is expressly authorized to place Contractor on Inactive Status, or return Contractor to active status, for one or more Project Types.
- 3.1.4. The County Contract Administrator shall assign a designated member of his staff as the County Contract Manager who will function as County's liaison with Contractor.
- 3.1.5. The County Contract Administrator, in the Administrator's sole discretion, is authorized to execute an Amendment to this Master Agreement substituting a successor business entity in place of any Contractor where the Contractor under this Master Agreement changes the form under which it does business, provided the change of business form is limited to the following changes. The Amendment shall be executed by the County Contract Administrator, the Contractor and the successor Contractor.
 - 3.1.5.1. The Contractor changes its form of doing business (e.g., a partnership incorporates) without other substantive change to the capabilities and resources of the firm, or
 - 3.1.5.2. The Contractor merges into, or is wholly acquired by, a successor firm.

3.2. County Contract Manager

- 3.2.1. The County Contract Manager for this Master Agreement shall be the person identified in the "Key Personnel" Section (Section 1.1.2.). County shall notify Contractor in writing of any change in the name or address of the County Contract Manager.
- 3.2.2. The County Contract Manager or his designee shall coordinate with the Contractor Project Administrator and Manager(s) on a regular basis, and shall have the right at all times to inspect any and all tasks, deliverables, services, or other work performed by or on behalf of Contractor.

- 3.2.3. The County Contract Manager shall attempt to resolve disputes, if any, that arise during the course of completing a Work Order between Contractor's Project Manager and County personnel.
- 3.2.4. The County Contract Manager shall be responsible for providing direction to Contractor in the areas relating to County policy, information requirements, and procedural requirements.
- 3.2.5. The County Contract Manager or his designee shall oversee Contractor's performance under this Master Agreement. The County Contract Manager shall be responsible for broadly monitoring all County projects and efforts that utilize Contract Services pursuant to this Master Agreement, including monitoring the performance of Contractor's personnel in completing each individual Work Order, and seeking to ensure that this Master Agreement's and individual Work Order's objectives are met.

4. Administration of Master Agreement - Contractor

4.1. Contractor Master Agreement Administrator

- 4.1.1. The Contractor Master Agreement Administrator shall be the person identified in the "Key Personnel" Section (Section 1.1.3.), who shall be a full-time employee of Contractor.
- 4.1.2. The Contractor Master Agreement Administrator shall be responsible for Contractor's day-to-day activities as related to this Master Agreement.
- 4.1.3. The Contractor Master Agreement Administrator shall be responsible for responding to each and every Project Inquiry Letter, indicating whether or not County should send the Work Order Request for the project to Contractor.
- 4.1.4. The Contractor Master Agreement Administrator may designate a Contractor Liaison to County for each project type for which Contractor is qualified.
 - 4.1.4.1. The Contractor Master Agreement Administrator shall notify the County Contract Manager in writing of the person(s) designated as Contractor Liaison for each project type.
 - 4.1.4.2. Such notification shall include the Contractor Liaison's name, title, address, telephone number, fax number, e-mail address, and project type(s).
 - 4.1.4.3. Upon receipt of such notification of a Contractor Liaison, County will send all future project notifications and communications specified in this Master Agreement to the Contractor Liaison for the specified project type(s).
- 4.1.5. In the response to each Work Order Request, the Contractor Master Agreement Administrator may designate a Contractor Project Administrator.
- 4.1.6. The Contractor Master Agreement Administrator, or designee, shall coordinate with the County Contract Manager or his designee on a regular basis with respect to all active Work Orders.

4.2. Contractor Project Administrator

- 4.2.1. The Contractor Project Administrator, who may submit a proposal in response to a Work Order Request, must have actual authority to sign the Work Order, binding Contractor to perform each and every term, condition, and obligation set forth in such Work Order in accordance with this Master Agreement.
- 4.2.2. Contractor represents and warrants that all requirements of Contractor have been fulfilled to provide such actual authority as stated above to the Contractor Project Administrator.
- 4.2.3. Each Contractor Project Administrator may designate a Contractor Project Manager who is responsible for the day-to-day activities related to the Work Order, and for reporting to County in the manner set forth in Section 4.3.

4.3. Progress Reports

To control expenditures and to ensure the proper and timely reporting of all tasks, deliverables, services, and other work provided by Contractor, after the initiation of each Work Order, and until the conclusion of such Work Order, Contractor shall provide the County Contract Manager with written and oral progress reports at such times as specified in the Work Order Statement of Work.

4.4. Monthly Invoices for Progress Payments

To control expenditures and to ensure proper and timely reporting by Contractor, after the initiation of each Work Order, and until the conclusion of such Work Order, Contractor shall submit monthly invoices for progress payments as specified in Section 12. "Invoices, Approvals, and Payments."

4.5. Change of Address

- 4.5.1. Contractor shall notify County if their address and/or telephone numbers change.
- 4.5.2. If County is unable to get a response from Contractor either by telephone, fax, or mail, County will place Contractor on Inactive Status and cease sending Contractor further notifications specified in this Master Agreement. At County's sole option, the Master Agreement with Contractor may also be terminated in accordance with Section 38. "Termination for Default."
- 4.5.3. If a Contractor who has been placed on Inactive Status in accordance with Section 4.5.2., contacts the County Contract Manager and provides a current address and telephone numbers, County will consider returning Contractor to active status, if all other qualifications are current.

5. Project Types and Requirements

The following sections describe the types of projects, and the typical project objectives, which will be performed under this Master Agreement. Additionally,

these sections set forth the minimum professional requirements and the standards that must be followed for each project type.

5.1. Financial/Compliance Audits

5.1.1. Overview

The primary objective of financial audits is the expression of an opinion on the financial statements of one or more funds of small to medium sized entities. In addition, for County departments and entities related to the funds, other typical objectives include reporting on the study and evaluation of internal control, reporting on compliance with County fiscal policies and procedures, reporting on accounting and budgetary problems and reporting on electronic data processing (EDP) systems and controls.

Compliance audits may include expressing an opinion on whether the financial results of operations are accurately reported and are presented in accordance with federal, State, and/or County requirements, etc.; and reporting on compliance with internal control requirements, contract provisions, etc. In addition, these audits may include monitoring of programs-in-progress provided by private sector vendors under contract with County, and reporting on the accuracy and appropriateness of payments to them.

5.1.2. Requirements for Financial/Compliance Audits

5.1.2.1. Experience

Firms must have demonstrated expertise in auditing this type of project in accordance with the generally accepted auditing standards for conducting local government audits as stated in the U.S. General Accounting Office's Government Auditing Standards, latest revision (currently 1999), issued by the U.S. Comptroller General (Yellow Book).

5.1.3. Quality Control

Firms must have a program to ensure that they meet the General Standards, as described in Chapter 3 of the Yellow Book, including qualifications, independence, due professional care, and quality control. As required by the fourth general standard, firms must have an independent, external quality control review (peer review) report issued within the last three years, and at least every three years thereafter.

5.1.3.1. Staff

Firms must provide a staff who meets the requirements of the Yellow Book and who collectively possesses the academic disciplines and audit experience to successfully complete the projects.

In addition to the Yellow Book standards, the staff must have an excellent knowledge of the standards of the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and their predecessor organizations.

For some work order projects, the staff must be familiar with the Single Audit Act and the requirements of the Office of Management and Budget Circular No. A-128. For other work orders, the staff may also need to have experience in analyzing complex accounting systems, including EDP systems.

5.2. Management Audits

5.2.1. Overview

The objective of management audits is to determine whether County departments or related organizations are achieving the purposes for which their programs are authorized and funded, as established by the Board of Supervisors and/or other funding agencies.

Management audits will also determine whether departments and related organizations are achieving program results efficiently and effectively, the causes for any inefficient or ineffective practices, and whether the department under review has considered alternative methods of operations that will yield the desired results at a lower cost.

Recommendations resulting from management audits must be practical and attainable within the environment in which the department must legally and realistically operate. When recommendations involve major additions to or shifting of resources, Contractor must also identify alternative procedures and controls that can be implemented in the interim until such additions to or shifting of resources can be effected. Additionally, Contractor should attempt to identify opportunities to increase resources for implementing recommendations by: (1) increasing revenue, (2) reducing costs, or (3) re-allocating resources through an appropriate reordering of departmental operating priorities.

5.2.2. Requirements for Management Audits

5.2.2.1. Experience

Firms must have demonstrated expertise in auditing this type of project in accordance with the generally accepted auditing standards for conducting local government audits as stated in the U.S. General Accounting Office's Government Auditing Standards, latest revision (currently 1999), issued by the U.S. Comptroller General (Yellow Book).

5.2.2.2. Quality Control

Firms must have a program to ensure that they meet the General Standards, as described in Chapter 3 of the Yellow Book, including qualifications, independence, due professional care, and quality control. As required by the fourth general standard, firms must have an independent, external quality control review (peer review) report issued within the last three years, and at least every three years thereafter.

5.2.2.3. Staff

Firms must provide a staff who meets the requirements of the Yellow Book and who collectively possesses the academic disciplines and management audit experience to successfully complete the projects.

5.3. Special Studies

5.3.1. Overview

Special studies include any projects which County management believes could be provided by the Master Agreement firms, other than financial/compliance or management audits, as described above. Examples of special studies include, but are not limited to, analyzing accounting or EDP systems, evaluating EDP contract proposals, establishing purchasing or materials management systems, implementing internal accounting procedures, advising management on specific financial and/or operational/administrative issues, performing specific cost studies, and performing accounting functions or special investigations.

5.3.2. Requirements for Special Studies

5.3.2.1. Experience

Firms must have demonstrated expertise in performing these types of projects.

5.3.2.2. Staff

Firms must provide a staff who collectively possesses the academic disciplines and experience to successfully complete the projects.

5.4. Qualified Project Types

The Project Types that Contractor is qualified and approved to perform are set forth in Exhibit A, "Schedule of Project Types and Billing Rates." To add Project Types, Contractor may submit a proposal to the County Contract Administrator.

6. Work Orders

All tasks, deliverables, services or other work performed by Contractor must have the prior written approval of County. The Work Order, signed by the County Contract Administrator and Contractor Project Administrator shall serve as written approval for such work as defined in that Work Order. In no event shall County be liable or responsible for any payment for any other work performed by Contractor outside the scope of the signed Work Order.

6.1. Selection of a Contractor

County will usually use the following competitive process for issuing Work Order Requests, selecting a contractor, and executing Work Orders.

- 6.1.1. Upon determination by County that a Work Order will be issued and upon determination of the Project Type, County will send a Project Inquiry Letter to each Contractor who has a Master Agreement for the Project Type, and are not on Inactive Status.
- 6.1.2. Contractor shall respond to County for each Project Inquiry Letter, indicating whether or not they wish to receive the Work Order Request.
- 6.1.3. County will send a Work Order Request to those contractors that ask to receive it. The Work Order Request will identify Contractor's response requirements and the date Contractor's proposal is due to County.
- 6.1.4. The Work Order Request and the accompanying Statement of Work will sufficiently detail the project's scope, objectives, and required deliverables to allow Contractor to fairly assess its ability to perform the project requirements and to develop the costs to complete the project.
- 6.1.5. Prior to the receipt and opening of proposals, County will create an evaluation document and select the evaluation factors and assign weights to those factors according to the requirements of the individual project. Such factors may include some or all of the following, or other factors deemed relevant:
 - Work Plan Quality
 - Response Time
 - Experience
 - Project Costs
- 6.1.6. County will review and evaluate all proposals received by the assigned response due date. Any and all responses to a Work Order Request which do not precisely comply with the requirements set forth in the Work Order Request may be rejected at the sole discretion the County Contract Manager.
- 6.1.7. Proposals that arrive after the response due date may or may not be evaluated at the sole discretion of the County Contract Manager.
- 6.1.8. From the remaining proposals, which are accepted for consideration, representatives of the Auditor-Controller and possibly other County departments will evaluate and score each of the proposals.
- 6.1.9. The County Contract Administrator or his designee may negotiate with the firms submitting the proposals with the highest scores and lowest costs to select the firm that secures the best arrangement for County.
- 6.1.10. In addition to the above competitive procedures, if County determines it appropriate for the sake of efficiency, County may provide notice and request responses from Master Agreement firms to qualify for a pool of contractors to be involved in small projects, with preference given to firms with lower hourly billing rates. For each small project, a contractor shall be selected from this pool of contractors on a random or rotating basis, or in some other equitable manner.

- 6.1.11. On rare occasions, when it is in County's best interest, and when obtaining services without soliciting bids is otherwise consistent with Los Angeles County Code Chapter 2.121, the provisions of this Section 6.1. do not preclude the County Contract Administrator from selecting a contractor to perform a project, or to request responses only from a subgroup of Master Agreement contractors, without following the above competitive procedures. Such selection will usually be for one of the following reasons:
 - 6.1.11.1. Due to an extremely limited time frame for the project. Typically, this will be when directed to do so by the Board of Supervisors, or when an audit is required as soon as possible to assure continued funding for a County program.
 - 6.1.11.2. To perform work of a limited nature, when a Master Agreement contractor is in a unique position to perform such work, usually because of the Master Agreement contractor's specific expertise gained from a previous project.

6.2. Execution of Work Orders

- 6.2.1. The County Contract Administrator will execute the Work Order with the Contractor Project Administrator of the selected firm.
- 6.2.2. Each Work Order will include an attached Statement of Work, which shall describe in detail the particular County project, the work required for the performance thereof, the deliverables, and any special requirements of the project.
- 6.2.3. Multi-Year Repetitive Projects shall not exceed three years duration without re-solicitation. Such Multi-Year Repetitive Projects shall consist of a Work Order for the initial year of the project, and a maximum of two one-year renewal options. Each renewal option may only be exercised by a subsequent Work Order, which is executed by the County Contract Administrator and the Contractor Project Administrator. Work Orders for such renewal options may be executed under a subsequent Master Agreement, if such future Master Agreement exists.

6.3. Description of Services

- 6.3.1. Pursuant to the provisions of this Master Agreement and in accordance with each subsequent Work Order, Contractor shall provide County with Contract Services.
- 6.3.2. The particular work will be detailed in individual Work Orders as the need arises. Contract Audit Reports delivered to County shall be prepared in accordance with requirements set forth in this Master Agreement and the individual Work Order Statement of Work.
- 6.3.3. Pursuant to the provisions of this Master Agreement, Contractor shall fully perform, complete and deliver on time, all tasks, deliverables, services and other work as set forth in each Work Order and its attached Statement of Work.

- 6.3.4. Contractor agrees that should work be performed outside the scope of any Work Order without the prior written approval of County in accordance with Section 7. "Change Notices and Amendments," such work shall be deemed to be a gratuitous effort on the part of Contractor, and Contractor shall have no claim therefor against County.
- 6.3.5. If Contractor finds that more than the agreed upon hours to perform such Contract Services are required, Contractor shall provide the staff and hours necessary to perform the Services, with no increase in the agreed upon maximum cost for such Services.

6.4. Report Quality Standards

6.4.1. Report Writing Standards

Exhibit E to this Master Agreement contains portions of Chapter IX "Written Communications" from County Auditor-Controller's Audit Division Operating Manual. While the style of Contractor's writing may differ, County expects Contractor's written communications to be of at least the same quality level as the reports produced by County.

6.4.2. Findings

Contractor's reports should address all of the attributes discussed in Section 9-303 of Exhibit E to this Master Agreement - "Attributes Of A Well Written Audit Finding." Specifically, the following elements should be addressed for each finding:

- Finding
- Criteria
- Cause
- Effect
- Recommendation
- Benefit

6.4.3. Recommendations

Recommendations must be practical and attainable within the environment in which the department must legally and realistically operate. When recommendations involve major additions to or shifting of resources, Contractor must also identify alternative procedures and controls that can be implemented in the interim until such additions to or shifting of resources can be effected. Additionally, Contractor should attempt to identify opportunities to increase resources for implementing recommendations by: (1) increasing revenue, (2) reducing costs, or (3) re-allocating resources through an appropriate reordering of departmental operating priorities.

6.4.4. Draft Reports

Draft reports are for the purpose of discussing the issues, findings, and recommendations contained in the report. The draft reports should be fully

reviewed, and all spelling and grammatical errors corrected prior to submitting the reports to County.

6.4.5. Final Reports

The final report(s) should be signed and bound (except for the reproduction copy). Whenever possible, County department's response to the report should be included in the bound final report.

6.4.6. Repetitive Projects

On projects requiring multiple similar reports with standard formats, such as the monitoring of several service providers, once a procedural or formatting problem with the draft reports has been resolved, it should not recur on subsequent reports submitted to County.

6.4.7. Sample Reports

The following four reports are examples of the quality that is expected of Contractor's reports. These reports are available for Contractor's review at County Auditor-Controller Audit Division. These reports will be considered the standard to which Contractor reports may be compared.

- Independent Auditor's Report and Financial Statements
Los Angeles County Flood Control District
Fiscal Year Ended June 30, 1997
Issued January 30, 1998, by Los Angeles County Auditor-Controller
- Independent Accountant's Monitoring Report
DCSS JTPA Program Phase II Monitoring
Office of Samoan Affairs
Fiscal Year 1997-98 Contract Period
Issued March 31, 1998, by a Master Agreement Contractor
- Management Audit Report
Probation Department Overtime Study
Issued December 2, 1997, by Los Angeles County Auditor-Controller
- Management Audit Report
District Attorney's Bureau of Family Support Operations
Issued August 20, 1997, by a Master Agreement Contractor

6.5. Contractor Personnel

- 6.5.1. Contractor shall offer qualified personnel, in response to County's Work Order Requests, to satisfy County stated deliverable requirements as set forth in the Work Order Requests.
- 6.5.2. Contractor shall not replace or remove, without the prior written permission of the County Contract Manager or his designee, personnel who have been approved by County for a particular Work Order. Once personnel are assigned to a Work Order, those persons shall remain assigned until the Work Order is completed. Exempt from this provision are instances of serious

illness, death, employment termination, and other such causes beyond Contractor's control.

- 6.5.3. In those cases where reassignment from a County Work Order is requested by an employee of Contractor, Contractor shall furnish County with written notice of any such request for reassignment and shall not make such assignment without the written approval of the County Contract Manager or designee. In the event of termination of employment by an employee of Contractor for any reason, Contractor shall provide County with as much advance notice as is reasonably possible. Contractor will use its best efforts to replace reassigned or terminated employees within five business days of such reassignment or termination.
- 6.5.4. County has the absolute right, during the period of performance under a Work Order, to approve or disapprove any of Contractor's assigned personnel or any proposed changes in Contractor's personnel, and to require replacement of Contractor's personnel under a particular Work Order. In each instance, Contractor shall provide the County Contract Manager or his designee with a résumé of the proposed replacement(s) and an opportunity to interview the person(s) prior to County giving its approval or disapproval.
- 6.5.5. Notwithstanding any other provision of this Master Agreement, the County Contract Manager or his designee may, in his sole discretion, reject any Contractor personnel at any time for any reason or for no reason whatsoever. In the event of any such rejection, Contractor shall propose substitute qualified personnel for County approval for the particular Work Order.

6.6. County Approval of Completed Work

- 6.6.1. All tasks, deliverables, services, or other work performed by Contractor for any Work Order issued hereunder is subject to the written approval of the County Contract Manager or his designee, who shall be responsible for evaluation of Contractor's performance, including compliance with Work Order terms.
- 6.6.2. Approval or rejection of deliverables, will not be unreasonably withheld and in no instance will exceed more than four weeks from receipt of the deliverable by County.
- 6.6.3. County Contract Administrator will forward to the County Board of Supervisors a copy of any evaluation report with Contractor deficiencies that are so serious as to jeopardize performance of the Work Order. The report will include improvement/corrective action measures taken by County and Contractor.

6.7. Reporting Suspected Fraud

If, during the performance of any work under a Work Order, Contractor suspects fraud, employee misconduct or any other significant finding, Contractor shall bring it to the immediate attention of the County Contract Manager before contacting the auditee. After consideration of County policies

and procedures, County Contract Manager will advise Contractor regarding subsequent actions.

7. Change Notices and Amendments

County reserves the right to change any portion of the work required under this Master Agreement and any other provisions of this Master Agreement. All changes shall be accomplished only as provided in this Section 7.

7.1. Master Agreement Changes

- 7.1.1. For any change that affects the scope of work, term, payments, or any provision included in this Master Agreement, a negotiated Amendment to this Master Agreement shall be prepared and executed by County's Board of Supervisors and Contractor.
- 7.1.2. Changes in the Contract Sum of all Master Agreements shall be made by the Board of Supervisors as described in Section 9. "Contract Sum."
- 7.1.3. For any change that does not affect the scope of work, term, payments, or any provision included in this Master Agreement, a "Master Agreement Change Notice" shall be prepared and signed by the County Contract Administrator and the Contractor Master Agreement Administrator.
- 7.1.4. The County Contract Administrator is expressly authorized to add Project Types (see Section 5.4. "Qualified Project Types") to Contractor's Master Agreement by issuing a revised Exhibit A.

7.2. Work Order Changes

- 7.2.1. Changes affecting any Work Order Statement of Work or the maximum dollar amount payable for any Work Order issued hereunder shall be accomplished by a Work Order Amendment executed by the County Contract Administrator and the Contractor Project Administrator.
- 7.2.2. Changes extending the period of performance under any Work Order for a period not to exceed one hundred eighty (180) calendar days, and not affecting either the scope of the Statement of Work or the maximum dollar amount payable for any Work Order, shall be accomplished by written notification from the County Contract Manager or his designee.
- 7.2.3. Changes affecting Contractor's personnel provided under any Work Order shall be accomplished by written notification from the Contractor Project Administrator to the County Contract Manager, and acceptance or rejection by the County Contract Manager or his designee.

8. Term

- 8.1. The term of this Master Agreement shall commence upon approval by County's Board of Supervisors, and shall expire on June 30, 2004, with one two-year renewal option, unless sooner terminated, in whole or in part, as

provided in this Master Agreement, or extended as specified in this Section 8. At the sole discretion of the County Contract Administrator, the County may exercise the renewal option and extend the expiration date to June 30, 2006.

- 8.2. This Master Agreement shall continue in full force and effect until all Work Orders signed prior to the expiration date of this Master Agreement, as stated in Section 8.1., have been completed, or otherwise terminated.

9. Contract Sum

- 9.1. The Authorized Master Agreement Maximum Contract Sum (Contract Sum) is the total dollar amount, inclusive of all applicable taxes, which County is authorized to pay for all work performed by all Master Agreement contractors pursuant to Work Orders issued under all such Master Agreements. County may, in its sole discretion, expend all or none of the Contract Sum. Contractor shall not be entitled to any payment by County under this Master Agreement except pursuant to validly executed Work Orders.
- 9.2. The Contract Sum for the term of this Master Agreement shall be established, and increased as necessary, solely by County's Board of Supervisors. Contractor shall be notified in writing by County of the established Contract Sum and any subsequent increases.
- 9.3. Notwithstanding any other provision of this Master Agreement, County shall incur no obligation under this Master Agreement unless and until a specific Work Order is executed between County and Contractor. Subject to the provisions of Section 12. "Invoices, Approvals, and Payments," the maximum monetary amount payable to Contractor under this Master Agreement shall be the total sum of the maximum County obligations for all Work Orders, if any, executed between County and Contractor.

10. Contractor's Rates

10.1. Master Agreement Rates by Project Type

Contractor's Master Agreement Rates for each Project Type to be used from the date of execution of this Master Agreement through June 30, 2003 are set forth in Exhibit A, "Schedule of Project Types and Billing Rates."

10.2. Annual Master Agreement Rate Adjustment

- 10.2.1. Beginning July 1, 2003, the Contractor's Master Agreement Rates will be adjusted annually at the start of each County fiscal year by a cost of living adjustment (COLA) equal to the lesser of:
- The percentage change in the Consumer Price Index (CPI) for all Urban consumers for the Los Angeles/Anaheim/Riverside consolidated metropolitan area, as compiled by the Bureau of Labor Statistics during the preceding calendar year. The CPI percentage change

applies to the current CPI index methodology and any revised methodology phased in during the life of this Master Agreement.

- The average negotiated salary percentage adjustment granted to County employees during the preceding calendar year, as reported by County Chief Administrative Office.

- 10.2.2. In the event fiscal circumstances ultimately prevent the Board of Supervisors from approving any increase in the employee salaries, Contractor will also experience no COLA.
- 10.2.3. In the event fiscal circumstances force the Board of Supervisors to make significant reductions in the County budget, the County reserves the right to renegotiate downward consistent with the County's financial situation.
- 10.2.4. County Contract Administrator will calculate the adjusted Master Agreement Rates for each County fiscal year, and notify Contractor of such adjusted Master Agreement Rates.

10.3. Master Agreement Rates are Maximum Rates

- 10.3.1. When submitting a proposal in response to any Work Order Request, the Master Agreement Rates in effect for the fiscal year when the response is submitted are the maximum rates Contractor may use in the proposal.
- 10.3.2. Contractor may propose rates lower than the Master Agreement Rates.
- 10.3.3. Contractor may propose a discount to the total proposal cost, effectively lowering the rates.

11. Certain County Remedies

- 11.1. The remedies set forth in this Section 11. are provided for County's benefit and use only, and are not exclusive but are in addition to County's other rights and remedies set forth under this Master Agreement or otherwise by law.
- 11.2. If Contractor fails to respond to three consecutive Project Inquiry Letters, the County Contract Administrator, at his sole discretion, may place Contractor on Inactive Status for subsequent Work Order Requests. Prior to taking such action, the County will send notification of the planned action to the Contractor Master Agreement Administrator.
- 11.3. If a Work Order is executed for performance of a project and Contractor is unable to furnish its proposed and approved personnel within seven calendar days of the Project Beginning Date as specified in the Work Order, then Contractor may be disqualified from the particular Work Order, and the County Contract Administrator, at his sole discretion, may consider Contractor to be in default of this Master Agreement and may determine that Contractor will be placed on Inactive Status for subsequent Work Order Requests.
- 11.4. If at the completion of a Work Order project, Contractor does not meet the mandatory completion date, and/or does not submit deliverables as defined in

the Work Order Statement of Work, the County Contract Administrator, at his sole discretion, may consider Contractor to be in default of this Master Agreement and may determine that Contractor will be placed on Inactive Status for subsequent Work Order Requests.

- 11.5. Based on findings resulting from monitoring a Work Order in accordance with Section 3., if there are multiple small repetitive problems, or a single major problem, concerning the quality of deliverables from Contractor, the County Contract Administrator, at his sole discretion, may consider Contractor to be in default of this Master Agreement and may determine that Contractor will be placed on Inactive Status for subsequent Work Order Requests.
- 11.6. In the event Contractor defaults once or more under Section 11.3., 11.4, or 11.5., County may, at the sole discretion of the County Contract Administrator, terminate this Master Agreement pursuant to Section 38. "Termination for Default."

12. Invoices, Approvals, and Payments

County will make progress payments to Contractor for Work Orders that exceed \$5,000 and are not completed within one calendar month.

12.1. Monthly Invoices for Progress Payments

- 12.1.1. All invoices under this Master Agreement shall be submitted for approval and payment to the County Contract Manager identified in the "Key Personnel" Section (Section 1.1.2.).
- 12.1.2. For providing the tasks, deliverables, services and other work under this Master Agreement, Contractor shall, on a monthly basis, separately invoice County for each Work Order.
- 12.1.3. Contractor shall invoice County for work performed at the rates set forth in each Work Order.
- 12.1.4. If Contractor finds that less than the agreed upon hours are required to complete a Work Order, Contractor shall invoice County the lesser (actual) number of hours.
- 12.1.5. If Contractor finds that more than the agreed upon hours are required to complete a Work Order, Contractor shall provide the staff and hours necessary to complete it, with no increase in the agreed upon maximum cost for the Work Order.
- 12.1.6. Each invoice must include the following information:

12.1.6.1. The Master Agreement number and Work Order number under which the work was performed.

12.1.6.2. The beginning and ending dates of the invoice period.

12.1.6.3. For each person working on the Work Order, including subcontracted personnel, if any:

- Name
- Job classification
- Hourly rate
- Hours billed in the invoice period
- Dollar amount billed in the invoice period.

12.1.6.4. Total number of hours billed in the invoice period.

12.1.6.5. An itemized listing of additional amounts billed.

12.1.6.6. Total dollar amount billed in the invoice period.

12.2. Approval and Payment of Progress Payments

12.2.1. All invoices submitted by Contractor for payment must be submitted for approval to the County Contract Manager and Contractor shall be paid only for those tasks, deliverables, services and other work authorized in the Work Order.

12.2.2. Approximately 30 days following receipt of a complete and correct invoice, with the County Contract Manager's approval, County shall pay the invoice amount, less a withholding amount as described below, up to the County's maximum obligation for the Work Order.

12.2.3. County may withhold 10% of each invoice, with a minimum withholding of the last \$5,000 of the County's maximum obligation for the Work Order.

12.2.4. For certain Work Order Projects, Contractor may be required to submit certain deliverables, subject to County approval, prior to payment beyond a specified percentage of the total Work Order amount. The Work Order Request will specify when such special requirements are to be used.

12.2.5. Based on findings resulting from monitoring a Work Order in accordance with Section 3., the County Contract Manager, at his sole discretion, may delay the payment of an invoice beyond the time period specified in Section 12.2.2., if Contractor is not progressing satisfactorily toward completion of the project.

12.3. Approval and Payment of Final Invoice

Upon Contractor's timely submission, and County's receipt and approval of all deliverable items identified in the Work Order Statement of Work, County shall pay the remaining balances of the monthly invoices, including any previous withholding amounts, up to the County's maximum obligation for the Work Order.

12.4. Adjustments for Quality of Report Deliverables

- 12.4.1. Based on findings resulting from monitoring a Work Order in accordance with Section 3., the County Contract Administrator, at his sole discretion, may reduce County's maximum obligation for the Work Order by \$100, or by a different amount if so stated in the Work Order, for each deliverable that does not meet the quality standards as described in this Master Agreement and the Work Order.

12.5. Adjustments for Delays in Providing Report Deliverables

- 12.5.1. Based on findings resulting from monitoring a Work Order in accordance with Section 3., the County Contract Administrator, at his sole discretion, may reduce County's maximum obligation for the Work Order by the greater of:
- \$100 for each calendar day of delay by Contractor in providing the report deliverables as required in the Work Order.
 - Up to ten percent (10%) of the maximum Work Order amount if the cumulative total of all delays experienced on the Work Order are deemed excessive.
- 12.5.2. If a Mandatory Completion Date is specified in the Work Order, the County Contract Administrator, at his sole discretion, may reduce County's maximum obligation for the Work Order by up to ten percent (10%) of the maximum Work Order amount, if the project is not completed by the Mandatory Completion Date.
- 12.5.3. To avoid such adjustments, prior to the required due dates, Contractor must justify any delay and successfully negotiate a change to the Work Order in accordance with Section 7.2. "Work Order Changes."
- 12.5.4. The remedies specified in this subsection 12.5 are nonexclusive remedies for delay in providing report deliverables. County shall have any and all further remedies available to it that would otherwise arise from a material breach of this agreement

13. County's Quality Assurance Plan

County or its agent will evaluate Contractor's performance under this Master Agreement during the performance of each Work Order. Such evaluation will include assessing Contractor's compliance with all contract terms and performance standards. Contractor deficiencies which County determines are severe or continuing and that may place performance of the Work Order in jeopardy if not corrected, will be reported to the Board of Supervisors. The report will include improvement/corrective action measures taken by County and Contractor. If improvement does not occur consistent with the corrective action measures, County may terminate the Work Order, this Master Agreement, or impose other actions as specified in this Master Agreement.

14. Prohibition Against Assignment and Delegation

Contractor shall neither assign its right nor delegate its duties under this Master Agreement, either in whole or in part, without the prior written consent of County, except that claims for monies due or to become due from County under this Master Agreement may be assigned to a bank, trust company, or other financial institution. Any payments to any assignee of any claim under this Master Agreement shall be subject to set-off, recoupment, or other reduction for any claim that County may have against Contractor. If Contractor is a partnership, this Master Agreement shall inure to the benefit of the surviving or remaining members of such partnership.

15. Covenant Against Contingent Fees

15.1. Contractor's Warranty

Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Master Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, for the purpose of securing business, excepting bona fide employees or bona fide established commercial or selling agencies maintained by Contractor for the purpose of securing business.

15.2. Breach of Warranty

For breach of this warranty, County shall have the right to terminate this Master Agreement and, at its sole discretion, deduct from monies owed Contractor hereunder, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

16. Lobbyist Ordinance

Contractor and each County lobbyist or County lobbying firm as defined in Los Angeles County Code Section 2.160.010, retained by Contractor, shall fully comply with the County Lobbyist Ordinance, Los Angeles County Code Section 2.160. Failure on the part of Contractor or any County lobbyist or County lobbying firm retained by Contractor to fully comply with the County Lobbyist Ordinance shall constitute a material breach of the Master Agreement upon which County may immediately terminate or suspend the Master Agreement.

17. Termination for Improper Consideration

- 17.1. County may, by written notice to Contractor, immediately terminate the right of Contractor to proceed under this Master Agreement if it is found that consideration, in any form, was offered or given by Contractor, either directly or through an intermediary, to any County officer, employee, or agent with the intent of securing the Master Agreement or securing favorable treatment with respect to the award, amendment, or extension of the Master Agreement or

the making of any determinations with respect to Contractor's performance pursuant to the Master Agreement. In the event of such termination, County shall be entitled to pursue the same remedies against Contractor as it could pursue in the event of default by Contractor.

- 17.2. Contractor shall immediately report any attempt by a County officer or employee to solicit such improper consideration. The report shall be made either to County manager charged with the supervision of the employee or to County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.
- 17.3. Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

18. Independent Contractor Status

- 18.1. Contractor shall at all times be acting in the capacity of independent contractor. This Master Agreement is not intended, and shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture, or association, as between County and Contractor. The employees and agents of one party shall not be, or be construed to be, the employees or agents of the other party for any purpose whatsoever.
- 18.2. Contractor shall be solely liable and responsible for providing to, or on behalf of, all persons performing work pursuant to this Master Agreement all compensation and benefits. County shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, federal, State, or local taxes, or other compensation, benefits, or taxes for any personnel provided by or on behalf of Contractor.
- 18.3. Contractor understands and agrees that all persons performing work pursuant to this Master Agreement are, for purposes of workers' compensation liability, employees solely of Contractor and not employees of County.
- 18.4. The employees and agents of each party, shall, while on the premises of the other party, comply with all rules and regulations of the premises, including, but not limited to, security requirements.

19. Subcontracts and Joint Ventures

When a Work Order project requires specific expertise Contractor does not have within their own staff, or the scope of the work may require more staff than Contractor is able to provide, Contractor may submit a proposal including subcontracted work. County will consider proposals from Contractors with subcontracted work only as specified below.

19.1. Subcontracts

No performance of this Master Agreement, or any portion thereof, shall be subcontracted by Contractor, without prior written approval from the County

Contract Administrator or his designee. Proposed subcontracts should be fully disclosed in the proposal submitted in response to any Work Order Request. Any unapproved subcontract shall be null and void.

19.2. Joint Ventures

County will not consider proposals from joint ventures.

20. Consideration of Hiring County Employees Targeted for Layoffs

Should Contractor require additional or replacement personnel after the effective date of a Work Order which exceeds \$250,000 to perform the services set forth in the Work Order, Contractor shall give first consideration for such employment openings during the life of the Work Order to qualified permanent County employees who are targeted for layoff after the effective date of this Master Agreement, or qualified former County employees who are on a "Rehire List."

21. Consideration of GAIN Program Participants for Employment

Should Contractor require additional or replacement personnel after the effective date of this Master Agreement, Contractor shall give consideration for any such employment openings to participants in County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program who meet Contractor's minimum qualifications for the open position. County will refer GAIN participants by job category to Contractor.

22. Indemnification

Contractor shall indemnify, defend and hold harmless County and its Special Districts, elected and appointed officers, employees, and agents from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses, (including attorney and expert witness fees), arising from or connected with Contractor's acts and/or omissions arising from and/or relating to this Master Agreement.

23. General Insurance Requirements

Without limiting Contractor's indemnification of County and during the term of this Master Agreement, Contractor shall provide and maintain, and shall require all of its subcontractors to maintain the following programs of insurance specified in this Master Agreement. Such insurance shall be primary to and not contributing with any other insurance or self-insurance programs maintained by County, and such coverage shall be provided and maintained at Contractor's own expense.

23.1. Evidence of Insurance

Certificate(s) or other evidence of coverage satisfactory to County shall be delivered to the County Contract Manager within two weeks of award of this Master Agreement, or at the discretion of the County Contract Manager, prior to commencing services under any Work Order. Such certificates or other evidence shall:

- 23.1.1. Specifically identify this Master Agreement.
- 23.1.2. Clearly evidence all coverages required in this Master Agreement.
- 23.1.3. Contain the express condition that County is to be given written notice by mail at least thirty (30) days in advance of cancellation for all policies evidenced on the certificate of insurance.
- 23.1.4. Include copies of the additional insured endorsement to the commercial general liability policy, adding the County of Los Angeles, its Special Districts, its officials, officers and employees as insureds for all activities arising from this Master Agreement.
- 23.1.5. Identify any deductibles or self-insured retentions for County's approval. The County retains the right to require Contractor to reduce or eliminate such deductibles or self-insured retentions as they apply to County, or, require Contractor to provide a bond guarantee payment of all such retained losses and related costs, including, but not limited to, expenses or fees, or both, related to investigations, claims administrations, and legal defense. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

23.2. Insurer Financial Ratings

Insurance is to be provided by an insurance company acceptable to the County with an A.M. Best rating of not less than A:VII, unless otherwise approved by County.

23.3. Failure to Maintain Coverage

Failure by Contractor to maintain the required insurance, or to provide evidence of insurance coverage acceptable to County, shall constitute a material breach of this Master Agreement upon which County may immediately terminate or suspend this Master Agreement. County, at its sole option, may obtain damages from contractor resulting from said breach. Alternatively, County may purchase such required insurance coverage, and without further notice to Contractor, County may deduct from sums due to Contractor any premium costs advanced by County for such insurance.

23.4. Notification of Incidents, Claims or Suits

Contractor shall report to County:

- 23.4.1. Any accident or incident relating to services performed under this Master Agreement which involves injury or property damage which may result in the filing of a claim or lawsuit against contractor and/or County. Such report shall be made in writing within 24 hours of occurrence.
- 23.4.2. Any third party claim or lawsuit filed against Contractor arising from or related to services performed by Contractor under this Master Agreement.
- 23.4.3. Any injury report to a Contractor employee which occurs on County property. This report shall be submitted on a County "Non-employee Injury Report" to the County Contract Manager.
- 23.4.4. Any loss, disappearance, destruction, misuse, or theft of any kind whatsoever of County property, monies or securities entrusted to Contractor under the terms of this Master Agreement.

23.5. Compensation for County Costs

In the event that Contractor fails to comply with any of the indemnification or insurance requirements of this Master Agreement, and such failure to comply results in any costs to County, Contractor shall pay full compensation for all costs incurred by County.

23.6. Insurance Coverage Requirements for Subcontractors

Contractor shall ensure any and all subcontractors performing services under this Master Agreement meet the insurance requirements of this Master Agreement by either:

- 23.6.1. Contractor providing evidence of insurance covering the activities of subcontractors, or
- 23.6.2. Contractor providing evidence submitted by subcontractors evidencing that subcontractors maintain the required insurance coverage. County retains the right to obtain copies of evidence of subcontractor insurance coverage at any time.

23.7. Insurance Coverage Requirements

23.7.1. General Liability

Insurance written on ISO policy form CG 00 01 or its equivalent with limits of not less than the following:

- General Aggregate \$2 million
- Products/Completed Operations Aggregate \$1 million
- Personal Injury \$1 million
- Each Occurrence \$1 million

23.7.2. Automotive Liability

Insurance written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than \$1 million for each accident. Such insurance shall include coverage for all “owned,” “hired,” and “non-owned” vehicles, or coverage for “any auto.”

23.7.3. Workers’ Compensation and Employers’ Liability

Insurance providing workers’ compensation benefits, as required by the Labor Code of the State of California or by any other state, and for which Contractor is responsible. This insurance also shall include Employers’ Liability coverage with limits of not less than the following:

- | | |
|---------------------------|-------------|
| • Each Accident | \$1 million |
| • Disease – policy limit | \$1 million |
| • Disease – each employee | \$1 million |

23.7.4. Professional Liability

Insurance covering liability arising from any error, omission, or negligent or wrongful act of Contractor, its officers, or employees with limits of not less than one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) aggregate. The coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of this Master Agreement.

23.7.5. Performance Security

Although County will make progress payments to Contractor for work performed, there is very little, if any, value to that work until such time as a report or opinion is issued. To help assure that County receives the final deliverables, a faithful performance bond, Certificate of Deposit, or Irrevocable Letter of Credit payable to County may be required on large projects.

24. Employee Health Insurance

Contractor agrees that a program of health insurance shall be provided to all its full-time employees assigned to work under this Master Agreement.

25. Records and Audits

25.1. Contractor’s Records

- 25.1.1. Contractor shall maintain accurate and complete financial records of its activities and operations relating to this Master Agreement in accordance with generally accepted accounting principles. In performing each Work Order, Contractor shall fully document all work efforts including the development of any materials prepared in connection with each task. Such documentation shall include, but not be limited to, the source of data, and schedules,

narratives, and other work product supporting the conclusions reached and resultant recommendations.

- 25.1.2. Contractor shall also maintain accurate and complete employment and other records relating to its performance of this Master Agreement.
- 25.1.3. All such material, including, but not limited to, all financial records, work documents, employment records, and proprietary data and information, shall be kept and maintained by Contractor and shall be made available to County during the term of this Master Agreement and for a period of four years thereafter unless County's written permission is given to dispose of any such material prior to such time. Contractor shall keep such records for a longer period, if County requests in writing an extension of the four-year period before the records are disposed of.
- 25.1.4. All such material shall be maintained by Contractor at a location in the COUNTY OF LOS ANGELES, provided that if any such material is located outside the COUNTY OF LOS ANGELES, then, at Contractor's option, Contractor shall make such material available in the COUNTY OF LOS ANGELES within seven calendar days, or Contractor shall pay County for travel, per diem, and other costs incurred by County to examine, audit, excerpt, copy or transcribe such material at such other location.

25.2. County's Right to Audit

- 25.2.1. Contractor agrees that County, or its duly authorized representatives, shall have access to and the right to examine, audit, excerpt, copy or transcribe any pertinent transaction, activity, or records relating to this Master Agreement.
- 25.2.2. Failure on the part of Contractor to comply with the provisions of this Section 25. "Records and Audits" shall constitute a material breach of this Master Agreement upon which County may terminate this Master Agreement.

26. Audit Settlement

If, at any time during or after the term of this Master Agreement, representatives of County conduct an audit of Contractor regarding the work performed under this Master Agreement, and if such audit finds that County's dollar liability for such work is less than payment made by County to Contractor, then the difference shall be either repaid by Contractor to County by cash payment upon demand or, at the sole option of the County Contract Administrator, deducted from any amounts due to Contractor from County. If such audit finds that County's dollar liability for such work is more than the payments made by County to Contractor, then the difference shall be paid to Contractor by County by cash payment.

27. Disclosure of Information

- 27.1. Contractor shall not disclose any details in connection with this Master Agreement to any person or entity except as may be otherwise provided

herein or required by law. However, in recognizing Contractor's need to identify its services and related clients to sustain itself, County shall not inhibit Contractor from publishing its role under this Master Agreement within the following conditions:

- 27.1.1. Contractor shall develop all publicity material in a professional manner.
- 27.1.2. During the term of this Master Agreement, Contractor shall not publish or disseminate commercial advertisements, press releases, or feature articles using the name of County without the prior written consent of the County Contract Administrator. County shall not unreasonably withhold written consent, and approval by County may be assumed in the event no adverse comments are received in writing within two weeks after submission of written request for consent.
- 27.1.3. Contractor may, without the prior written consent of County, indicate in its proposals and sales materials that it has been awarded this Master Agreement with the COUNTY OF LOS ANGELES, provided that the requirements of this Section 27. "Disclosure of Information", shall apply.

28. Proprietary Considerations and Confidentiality

- 28.1. County and Contractor agree that all materials, data and information developed under this Master Agreement shall become the sole property of County, provided that Contractor may retain possession of all working papers prepared by Contractor. During and subsequent to the term of this Master Agreement, County shall have the right to inspect any and all such working papers, make copies thereof, and use the working papers and the information contained therein.
- 28.2. Any materials, data and information not developed under this Master Agreement, which Contractor considers to be proprietary and confidential, shall be plainly and prominently marked by Contractor as "Trade Secret," "Proprietary," or "Confidential." County will use reasonable means to ensure that Contractor's proprietary and confidential materials, data and information are safeguarded and held in confidence. County agrees not to reproduce or distribute such materials, data and information to non-County entities without the prior written permission of Contractor.
- 28.3. Notwithstanding any other provision of this Master Agreement, County shall not be obligated in any way under Section 28.2. for:
 - 28.3.1. Any material, data and information not plainly and prominently marked with restrictive legends as set forth in Section 28.2.;
 - 28.3.2. Any materials, data and information covered under Section 28.1.; and
 - 28.3.3. Any disclosure of any materials, data and information which County is required to make under the California Public Records Act or otherwise by law.
- 28.4. Contractor shall protect the security of and keep confidential all material, data and information received or produced under this Master Agreement. Further,

Contractor shall use whatever security measures are necessary to protect all such material, data and information from loss or damage by any cause, including, but not limited to, fire and theft.

- 28.5. Contractor shall not disclose to any party any information identifying, characterizing or relating to any risk, threat, vulnerability, weakness or problem regarding data security in County's computer systems, or to any safeguard, countermeasure, contingency plan, policy or procedure for data security contemplated or implemented by County, without County's prior written consent.
- 28.6. The provisions of Sections 28.1., 28.3., 28.4., and 28.5. shall survive the expiration or termination of this Master Agreement

29. Patent, Copyright and Trade Secret Indemnification

Contractor shall indemnify, hold harmless and defend County from and against any and all liability, damages, costs, and expenses, including, but not limited to, defense costs and attorneys' fees, for or by reason of any actual or alleged infringement of any United States Patent, Copyright, or Trade Secret disclosure arising from or related to the operation and utilization of Contractor's services to County under this Master Agreement.

30. Compliance With Applicable Laws

- 30.1. Contractor agrees to comply with all applicable federal, State, and local laws, rules, regulations or ordinances, and all provisions required thereby to be included herein, are hereby incorporated by reference.
- 30.2. Contractor agrees to indemnify and hold County harmless from any loss, damage or liability resulting from a violation on the part of Contractor of such laws, rules, regulations or ordinances.

31. Nondiscrimination and Affirmative Action

- 31.1. Contractor certifies and agrees that all persons employed by it, its affiliates, subsidiaries or holding companies are and will be treated equally by it without regard to or because of race, color, religion, ancestry, national origin, sex, age, or physical or mental handicap, in compliance with all applicable federal and State anti-discrimination laws and regulations.
- 31.2. Contractor shall certify to, and comply with, the provisions of Exhibit F "Contractor's EEO Certification".
- 31.3. Contractor certifies and agrees that it will deal with its subcontractors, bidders or vendors without regard to or because of race, color, religion, ancestry, national origin, sex, age, or physical or mental handicap.
- 31.4. Contractor shall take affirmative action to ensure that applicants are employed and that employees are treated during employment, without regard to their race, color, religion, sex, ancestry, national origin, age, or physical or mental

handicap, in compliance with all applicable federal and State anti-discrimination laws and regulations. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship.

- 31.5. Contractor hereby assures that it will comply with all applicable federal and State laws and regulations to the end that no person shall, on the grounds of race, creed, color, sex, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Master Agreement or under any project, program or activity supported by this Master Agreement.
- 31.6. Contractor shall allow County access to its employment records during regular business hours to verify compliance with these provisions when so requested by County.
- 31.7. If County finds that any of the above provisions has been violated, the same shall constitute a material breach of contract upon which County may determine to cancel, terminate, or suspend this Master Agreement. While County reserves the right to determine independently that the anti-discrimination provisions of the Master Agreement have been violated, in addition, a determination by the California Fair Employment Practices Commission or the Federal Equal Employment Opportunity Commission that Contractor has violated State or federal anti-discrimination laws shall constitute a finding by County that Contractor has violated the anti-discrimination provisions of this Master Agreement.
- 31.8. The parties agree that in the event Contractor violates the anti-discrimination provisions of the Master Agreement, County shall, at its option, be entitled to the sum of Five Hundred Dollars (\$500.00) for each such violation as liquidated damages in lieu of canceling, terminating or suspending this Master Agreement.

32. Captions, Paragraph, and Section Headings

Captions, Paragraph, and Section headings used in this Master Agreement are for convenience only and are not a part of this Master Agreement and shall not be used in construing this Master Agreement.

33. Governing Laws and Venue

This Master Agreement shall be construed in accordance with and governed by the laws of the State of California. Any litigation arising out of this Master Agreement shall be prosecuted in the COUNTY OF LOS ANGELES.

34. Waiver

No waiver of a breach of any provision of this Master Agreement by either party shall constitute a waiver of any other breach, or of such provision. Failure of either to enforce at any time, or from time to time, any provision of this Master Agreement shall not be construed as a waiver thereof. No waiver shall be valid unless set forth in writing and signed by an authorized official of the party granting the waiver. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

35. Severability

If any provision of this Master Agreement or the application thereof to any person or circumstance is held invalid, the remainder of this Master Agreement and the application of such provision to other persons or circumstances shall not be affected thereby.

36. Employment Eligibility Verification

- 36.1. Contractor warrants that it fully complies with all federal statutes and regulations regarding employment of aliens and others and that all its employees performing work under this Master Agreement meet the citizenship or alien status requirements set forth in federal statutes and regulations. Contractor shall obtain, from all employees performing work hereunder, all verification and other documentation of employment eligibility status as required by federal statutes and regulations as they currently exist and as they may be hereafter amended.
- 36.2. Contractor shall retain all such documentation for the period prescribed by law. Contractor shall indemnify, defend and hold harmless County, its officers and employees from and against any alleged employer sanctions and other liability which may be assessed against Contractor or County in connection with any alleged violation of any federal statutes or regulations pertaining to the eligibility for employment of any persons performing work hereunder.

37. Termination for Convenience

- 37.1. This Master Agreement and any Work Order issued hereunder may be terminated, in whole or in part, from time to time, when such action is deemed by County to be in its best interest. Termination of work hereunder shall be effected by delivery to Contractor of a notice of termination specifying the extent to which performance of work is terminated and the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than fourteen (14) days after the notice is sent.
- 37.2. After receipt of a notice of termination and except as otherwise directed by County, Contractor shall:

- 37.2.1. Stop work under this Master Agreement on the date and to the extent specified in such notice,
- 37.2.2. Transfer title and deliver to County all completed work and work in process,
- 37.2.3. Complete performance of such part of the work as shall not have been terminated by such notice, and
- 37.2.4. Submit to County, in the form and with any certifications as may be prescribed by County, its termination claim and invoice. Such claim and invoice shall be submitted promptly, but in no event later than thirty days from the effective date of termination. Upon failure of Contractor to submit its termination claim and invoice within the time allowed, County may determine on the basis of information available to County, the amount, if any, due to Contractor in respect to the termination, and such determination shall be final. When such determination is made, County shall pay Contractor the amount so determined.
- 37.3. Subject to the provisions of Section 37.2.1., County and Contractor shall negotiate an equitable amount to be paid Contractor by reason of the total or partial termination of work pursuant to this Section 37., which amount may include a reasonable allowance for profit on work completed but shall not include any allowance on work terminated. County shall pay the agreed amount provided that such amount shall not exceed the total funding obligated under this Master Agreement and individual Work Orders as reduced by the amount of payments otherwise made and as further reduced by the Master Agreement price of work not terminated.
- 37.4. Contractor shall maintain and make available to County all materials bearing on the costs and expenses of Contractor under this Master Agreement with respect to the termination of work hereunder, in accordance with Section 25.1. "Contractor's Records."

38. Termination for Default

- 38.1. If, through any cause, Contractor shall fail to fulfill in a timely and proper manner its obligations under this Master Agreement and any subsequent Work Orders, or if Contractor shall violate any of the covenants, agreements, or stipulations of this Master Agreement, County shall thereupon have the right to terminate this Master Agreement by giving written notice to Contractor of such termination and specifying the effective date thereof, at least five days before the effective date of such termination.
- 38.2. In such event, copies of all finished or unfinished documents, data, and reports prepared by Contractor under this Master Agreement shall immediately be transferred to the County Contract Manager.
- 38.3. Realizing that County does not receive value from Contractor's work unless Contractor provides the deliverables specified in the Work Order (usually a report), Contractor agrees that if Contractor is unable to provide all of the

deliverables as specified in the Work Order, then County Contract Administrator, in his sole determination, shall establish a value for any deliverables previously approved by the County, and Contractor shall refund all progress payments made by County in excess of the established value.

- 38.4. Without limitation of any additional rights or remedies to which it may be entitled, if County terminates all or part of the Contract Services for Contractor's Default, County, in its sole discretion, may procure replacement services and Contractor shall be liable for all costs incurred by County in connection with those replacement services, as determined by County in its sole discretion.
- 38.5. If it is determined that Contractor was not in Default under the provisions of this Master Agreement, or that the Default was excusable, then the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued under Section 37. "Termination for Convenience."

39. Contractor's Warranty of Adherence to County's Child Support Compliance Program

Contractor acknowledges that County has established a goal of ensuring that all individuals who benefit financially from County through contract are in compliance with their court-ordered child, family and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Contractor's duty under this Master Agreement to comply with all applicable provisions of law, Contractor warrants that it is now in compliance and shall during the term of this Master Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

40. Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program

Failure of Contractor to maintain compliance with the requirements set forth in Section 39. "Contractor's Warranty of Adherence to County's Child Support Compliance Program" shall constitute a default by Contractor under this Master Agreement. Without limiting the rights and remedies available to County under any other provision of this Master Agreement, failure to cure such default within 90 days of notice by the County of Los Angeles District

Attorney shall be grounds upon which County may terminate this Master Agreement pursuant to Section 38. "Termination for Default."

41. Contractor's Acknowledgement of County's Commitment to Child Support Enforcement

Contractor acknowledges that County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. Contractor understands that it is County's policy to encourage all County contractors to voluntarily post County's "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at Contractor's place of business. County's District Attorney will supply Contractor with the poster to be used.

42. Contractor Responsibility and Debarment

- 42.1. A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the County's policy to conduct business only with responsible contractors.
- 42.2. Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if County acquires information concerning the performance of Contractor on this or other contracts which indicates that Contractor is not responsible, County may, in addition to other remedies provided in this Master Agreement, debar Contractor from bidding on County contracts for a specified period of time not to exceed three (3) years, and terminate any or all existing contracts Contractor may have with County.
- 42.3. County may debar Contractor if the Board of Supervisors finds, in its discretion, that Contractor has done any of the following:
 - 42.3.1. Violated any term of a contract with County,
 - 42.3.2. Committed any act or omission which negatively reflects on Contractor's quality, fitness or capacity to perform a contract with County or any other public entity, or engaged in a pattern or practice which negatively reflects on same,
 - 42.3.3. Committed an act or offense which indicates a lack of business integrity or business honesty, or
 - 42.3.4. Made or submitted a false claim against County or any other public entity.
- 42.4. If there is evidence that Contractor may be subject to debarment, the County Contract Administrator will notify Contractor in writing of the evidence which is the basis for the proposed debarment and will advise Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.
- 42.5. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. Contractor and/or Contractor's

representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the contractor should be debarred, and, if so, the appropriate length of time of the debarment. If Contractor fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, Contractor may be deemed to have waived all rights of appeal.

- 42.6. A record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny or adopt the proposed decision and recommendation of the Hearing Board.
- 42.7. These terms shall also apply to subcontractors of Contractor.

43. Limitation of County's Obligation Due to Non-Appropriation of Funds

- 43.1. Notwithstanding any other provision of this Master Agreement, County shall not be obligated for Contractor's performance hereunder or by any provision of this Master Agreement during any of County's future fiscal years unless and until County's Board of Supervisors appropriates funds for this Master Agreement in County's Budget for each such future fiscal year, and in the event that funds are not appropriated for this Master Agreement, then this Master Agreement shall terminate as of June 30 of the last fiscal year for which funds were appropriated. County shall notify Contractor in writing of such non-allocation of funds at the earliest possible date.
- 43.2. Also, in the case of any multi-year Work Orders, or a Work Order spanning two fiscal years, County shall not be obligated for Contractor's performance in the subsequent or future fiscal year unless and until funds for the Work Order project are appropriated. If such funds are not appropriated, the Work Order project shall be deemed Terminated for Convenience, as defined by Section 37. of this Master Agreement.

44. Notice of Delays

When either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of this Master Agreement and subsequent Work Orders, that party shall, within two days, give notice thereof, including all relevant information with respect thereto, to the other party.

45. Validity

The invalidity in whole or in part of any provision of this Master Agreement shall not void or affect the validity of any other provision.

46. Force Majeure

In the event Contractor is unable to comply with any provision of this Master Agreement or subsequent Work Orders due to causes beyond its reasonable control, Contractor shall not be held liable to County for such failure to comply.

47. Notices

Notices given under this Master Agreement may be given by enclosing the same in a sealed envelope addressed to the party for whom intended and depositing such envelope with prepaid postage in the United States Post Office. Such notice shall be addressed to Contractor at his place of business as shown in Section 1.1.3., "Contractor Master Agreement Administrator," or as may be later designated by Contractor in writing. Notices to County shall be addressed as shown in Section 1.1.2. "County Contract Manager".

48. Warranty

Contractor warrants and represents that all work completed under this Master Agreement will be in accordance with sound business practices, procedures and standards. Contractor shall be responsible for the prompt correction of any errors, inaccuracies, incompleteness or omissions within the scope of this Master Agreement or subsequent Work Orders regardless of when they may be discovered.

49. Authorization Warranty

Contractor represents and warrants that the person executing this Master Agreement for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition and obligation set forth in this Master Agreement and that all requirements of Contractor have been fulfilled to provide such actual authority.

50. Recycled-Content Paper Usage

Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, Contractor agrees to use recycled-content paper to the maximum extent possible on Work Order projects.

51. Federal Earned Income Credit

Contractor shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in the Internal Revenue Service Notice 1015.

IN WITNESS WHEREOF, the COUNTY OF LOS ANGELES Board of Supervisors has caused this Master Agreement to be subscribed by its Chairman and the seal of said Board to be hereto affixed and attested by the Executive Officer and Clerk thereof, and Contractor has caused this Master Agreement to be signed by its duly authorized Officer this _____ day of _____, 2002.

COUNTY OF LOS ANGELES

By _____
Chairman, Board of Supervisors

ATTEST:
Violet Varona-Lukens
Executive Officer and Clerk
Board of Supervisors

By _____
Deputy

<<FIRM NAME>>

By _____
Name:
Title:

APPROVED AS TO FORM:
Lloyd W. Pellman
County Counsel

By _____
Thomas M. Tyrrell
Principal Deputy County Counsel

SCHEDULE OF PROJECT TYPES AND BILLING RATES

Contractor: «Legal_Name»
Effective Date: Date of Approval by the County Board of Supervisors
Period: Through June 30, 2003
MA Number: Assigned by the Clerk of the Board of Supervisors
Project Types:
«Financial/Compliance Audits»
«Management Audits»
«Special Studies»

Personnel Billing Rates:

Job Classification

«Job Classes»

Hourly Rates

«Rates»

Additional Costs:

(Costs not shown are considered as included in the hourly rates above.)

Rates

«Add Costs»

«Rates»

SAMPLE WORK ORDER REQUEST

Project Title

«WOR_TitleLong»

Project Dates

Work Order Request Issued: «Date»
Proposers' Conference: N/A
Written Questions Due: «Date»
Proposals Due: «Date»
Beginning Date: «Date»
Ending Date: «Date»
Mandatory Completion Date: «Date»

I. LATE PROPOSALS

Proposals received after the Proposal Due Date will be considered for evaluation solely at the discretion of the County of Los Angeles (County), if they are determined to be in the best interest of the County.

II. PROPOSERS' CONFERENCE

A proposers' conference is not planned for this project.

III. WRITTEN QUESTIONS

Written questions must be received no later than «Ques_Date». They may be faxed or mailed to:

Mr. DeWitt Roberts, Chief
Audit Division
320 West Temple Street, Room 380
Los Angeles, CA 90012-3208
Attention: John E. Miller
Fax: (213) 626-1108

The questions and responses will be distributed to all firms requesting a copy of the Work Order Request. The firm asking the question will not be identified.

IV. LIST OF ATTACHMENTS

Attachment A: Statement of Work
Attachment B: Work Experience Summary

Attachment C:

Attachment D:

Attachment E:

Attachment F:

Attachment G: Sample Work Order

V. AVAILABILITY OF DOCUMENTS

Arrangements to review copies of the following documents may be made by contacting NAME of «WO_Dept» at () PHONE FOLLOWED BY PERIOD .

- Document1
- Document2

VI. SERVICES

The County is seeking a contractor to provide the services described in detail in Attachment A, "Statement of Work." When selected to perform the services, the contractor and the County will sign a work order substantially the same as the attached "Sample Work Order."

VII. PROPOSER'S SKILL REQUIREMENTS

A proposer must propose personnel, using subcontractors if needed (joint ventures are not allowed), who collectively possess the academic disciplines and experience to successfully complete this project. Experience with the services described in the Statement of Work is preferred.

VIII. PROPOSER'S RESPONSE REQUIREMENTS:

A proposer's response to this Work Order Request must include each of the following in the prescribed format and order:

- A cover page identifying the specific Work Order Request by Title and Number, firm name and address, and the name and telephone number of the Project Administrator who is authorized to represent and bind the firm in contract, if selected.
- A Table of Contents, with all proposal pages numbered.
- A detailed Work Plan identifying the proposer's approach/methodology to be used to complete the Work Order project. The approach should include the basic elements of a project (planning procedures, survey phase, fieldwork, etc.) and indicate flexibility to adjust as the project develops.

The Work Plan must be sufficiently detailed to allow the County to determine if the proposer has a good understanding of the project scope,

objectives and deliverable requirements. It must allow the County to evaluate the appropriateness of the proposed procedures and techniques to be used to research and document findings and to control the project. The Work Plan should include the number of hours by person or position for each of the basic elements in the Work Plan.

Reference to or repetition of the scope, objectives, and requirements from the Work Order Request and Statement of Work **does not constitute** a "good understanding" of the project. Complete, yet concise, supplementary procedures, methods, explanations and descriptions are also required to make possible the County's evaluation as to the proposer's understanding.

- A "Schedule of Project Costs" identifying the proposer's and any subcontractor's personnel to be assigned to the project and the maximum total cost to complete the project.

This schedule must show the job classification of each person participating in the project, and include the number of hours by person.

The proposed cost should be determined using the hours by job classification and hourly rates that do not exceed those that are set forth in Exhibit A of the proposer's Master Agreement. Other expenses (in addition to the hourly personnel costs) that will be incurred and billed must be specifically identified and included in the total cost of completing the project.

Proposals, which do not clearly indicate a maximum total cost to complete the project, may at the discretion of the County be rejected.

- A Personnel Section including:
 1. A list/chart specifically identifying the Project Administrator, Project Manager, supervisory personnel, and other key individuals.
 2. A Work Experience Summary (Attachment B) and a résumé for each key individual identified above, including brief descriptions of projects that show the individual's experiences that satisfy the "Proposer's Skill Requirements."
 3. A description of the minimum qualifications for other professional staff that will be working on the project.
 4. If subcontracted personnel are being proposed, they should be specifically identified and included in the information provided for above.
- A Proposer's Experience/Capability Section, including:
 1. A list of all contracts with the County within the prior three years; please include the following information for each contract:
 - County Department
 - Project/Objective

- Amount of Contract
- Dates
- Contact Person and Telephone Number
- 2. A list of all contracts within the prior three years, that were cancelled or otherwise terminated prior to completion.
- 3. An explanation of the proposer's ability to provide alternative or additional personnel (managers, supervisors, staff, etc.) should such actions become necessary to complete the project in a timely manner.
- A timetable or chart for completing the project, including dates for each of the following:
 - Start of the project
 - Planning
 - Entrance conference
 - Project survey
 - Delivery of a detailed work schedule
 - Fieldwork
 - Progress reports
 - Delivery of the draft report
 - Exit conference
 - Delivery of the final report

The specified dates should assume that the project may begin «Beg_Date».

- A statement clearly indicating whether a potential or real conflict of interest may exist. A conflict of interest may include, but is not limited to:
 1. The proposer has contracted with the auditee for other services.
 2. The proposer has previously advised the County in the area to be audited.
 3. A person assigned to the project or their relative(s) may have a personal relationship with the auditee.

To give the County a proper basis for proper evaluation, all other Proposer's Response Requirements should be followed **as if no conflict exists**. During selection of the contractor, the County will address any conflicts of interest. **Any proposal submitted with a conflict of interest may at the discretion of the County be rejected.**

IX. RESPONSE SUBMISSION

Six copies of the proposer's response to this Work Order Request must be prepared in the prescribed format, submitted in a sealed envelope, clearly marked "Response to Work Order Request No. «WOR_No», " and addressed to:

Mr. J. Tyler McCauley
Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Responses not prepared and submitted according to the specifications set down in this section may, at the sole discretion of the County Contract Administrator, be rejected without further consideration.

X. SELECTION CRITERIA

Responses will be evaluated on:

- The thoroughness, appropriateness and innovativeness of the audit approach detailed in the work plan (PERCENT/INNUMERALS %)
- The experience of the staff to be assigned to the project (PERCENT %)
- The estimated hours and time period for completion (PERCENT %)
- The cost of performing the audit (PERCENT %).

OPTION 1

Although we will entertain all proposals, the proposers should consider that the budget for this project is \$DOLLARSINNUMERALS.

OPTION 2

Although we will entertain all proposals, we anticipate that the project should not exceed NUMBER hours to complete.

OPTION 3

Last year, the contractor reported NUMBER hours to complete the project.

XI. CONTACT WITH COUNTY PERSONNEL

As of the issuance date of this Work Order Request and continuing until the final date for submission of proposals, except as described above, all County personnel are specifically directed against holding any meetings, conferences, or technical discussions with any potential proposer regarding the Work Order Request.

XII. GRATUITIES

It is improper for any County officer, employee or agent to solicit consideration, in any form, from a proposer with the implication, suggestion or statement that the proposer's provision of the consideration may secure more favorable treatment for

the proposer in the award of the contract or that the proposer's failure to provide such consideration may negatively affect the County's consideration of the proposer's submission. A proposer shall not offer or give, either directly or through an intermediary, consideration, in any form, to a County officer, employee or agent for the purpose of securing favorable treatment with respect to the award of the contract.

A proposer shall immediately report any attempt by a County officer, employee or agent to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861. Failure to report such a solicitation may result in the proposer's submission being eliminated from consideration.

Among other items, such improper consideration may take the form of cash, discounts, services, the provision of travel or entertainment, or tangible gifts.

SAMPLE WORK ORDER

Project Title

«WO_TitleLong»

Project Dates

Beginning Date: «Date»
Ending Date: «Date»
Mandatory Completion Date: «MandatoryDate»

Master Agreement No.

«MA_No»

Agreement entered into by and between the County of Los Angeles (hereafter referred to as "County") and «Legal_Name» (hereafter referred to as "Contractor") for Contract Services.

I. KEY PERSONNEL

County Contract Administrator: Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

County Contract Manager: Mr. DeWitt Roberts, Chief
Audit Division
320 West Temple Street, Room 380
Los Angeles, CA 90012-3208

Contractor Project Administrator: «MR» «First» «Last»«SUFFIX»
«Title»
«Legal_Name»
«Add»
«City» «ST» «ZIP»
Phone: «Phone»
Fax: «FAX»

II. APPLICABLE DOCUMENTS

ALL TERMS OF THE MASTER AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT. The Master Agreement, the body of this Work Order, [Attachments A, B, and C](#), and the Contractor's proposal dated «ProposalDate», which is incorporated herein by reference, shall constitute the complete and exclusive statement of understanding between the parties, which supersedes all previous

agreements, written or oral, and all communications between the parties relating to the subject matter of this Work Order.

III. INTERPRETATION

In the event of any conflict or inconsistency in the definition or interpretation of any word, responsibility, schedule, or the contents or description of any task, deliverable, service, or other work, between the documents, such conflict or inconsistency shall be resolved by giving precedence to the documents in the order they are listed in Section II, "Applicable Documents."

IV. SERVICES

The Contractor shall perform the Contract Services detailed in Attachment A, "Statement of Work," and further detailed in the Contractor's proposal.

V. PERSONNEL

The Contractor shall provide the personnel in the specified job classifications at the specified hourly rates in Attachment B, "Schedule of Project Costs." The Contractor shall not add or replace specified personnel without the prior written permission of the County Contract Manager or his designee.

VI. PAYMENT

- A. The Maximum Total Costs that the County shall pay the Contractor for all Contract Services to be provided under this Work Order shall not exceed «Wo_Max» Dollars («WO_Max»).
- B. The Contractor shall invoice the County monthly in arrears for Contract Services rendered. The Contractor shall invoice the County for work performed at the hourly rates set forth in Attachment B, "Schedule of Project Costs." The invoice must reflect the following information:
 1. The Master Agreement No. and the Work Order No. under which the work was performed
 2. Beginning and ending dates of the invoice period
 3. For each person working on the Work Order, including any subcontracted personnel:
 - Name
 - Job Classification
 - Hourly rate
 - Hours billed in the invoice period
 - Dollar amount billed in the invoice period

4. Total number of hours billed in the invoice period
 5. An itemized listing of additional amounts billed
 6. Gross dollar amount billed in the invoice period
 7. A **NUMBER** percent reduction of the gross dollar amount billed
 8. **Dollar amount due**
- C. If the Contractor finds that less than the quoted «WO_Hours» hours are required to complete this project, the Contractor will invoice the County the actual number of hours.
- D. If more than the quoted «WO_Hours» hours are required, the Contractor agrees to provide the staff and hours necessary to complete this project in accordance with Section IV., with no increase in the Maximum Total Costs for this Work Order.
- E. All invoices submitted by the Contractor for payment must be submitted for approval to the County Contract Manager or his designee and the Contractor shall be paid only for those tasks, deliverables, services and other work so approved in this Work Order (Section IV.).
- F. Approximately 30 days following receipt of a complete and correct invoice, and with acceptable progress on the Work Order, the County Contract Manager shall approve the invoice, and the County shall pay the invoice amount, less the withholding of 10% of each invoice, with a minimum withholding of the last \$5,000 of the County's maximum obligation for the Work Order.
- G. After all deliverable items identified in the Statement of Work *(to be Attachment A of the actual Work Order)* are received and approved, the County shall pay the remaining balances of the invoices provided the County's maximum obligation for this Work Order (Section VII.A.) is not exceeded.
- H. If some deliverables do not meet the quality standards as described in the Master Agreement, the County Contract Manager, at his sole discretion, may reduce the County's maximum obligation for this Work Order by \$100 for each occurrence.
- I. All invoices for this Work Order shall be submitted within two weeks following the invoice period to:

Mr. DeWitt Roberts, Chief
Audit Division
320 West Temple Street, Room 380
Los Angeles, CA 90012-3208
Attention: John E. Miller

VII. MANDATORY COMPLETION DATE

The Contractor shall provide all deliverables no later than the Mandatory Completion Date. The Contractor shall ensure all Contract Services have been performed by such date.

VIII. SIGNATURES

CONTRACTOR

«Legal_Name»

By: _____

Name: _____

Title: _____

Date: _____

COUNTY OF LOS ANGELES

Department of Auditor-Controller

By: _____

J. Tyler McCauley
Auditor-Controller

Date: _____

SAMPLE STATEMENT OF WORK

Project Title

«WO_TitleLong»

I. BACKGROUND

Provide information useful for the Contractor to prepare the original proposal and to perform the preliminary planning for the project, by briefly describing the auditee's/program's: mission, history, structure, workload, number and location of facilities and employees, dollar amounts of assets (e.g., cash, revenue, equipment), etc. The purpose of this information is to help the Contractor put the project into context - historical, organizational, budgetary, and political.

Indicate the level of visibility of the project (i.e., will the Board of Supervisors, the media, other governmental entities, the public, etc., be focusing on the project?) so that the Contractor will have a feel for the levels of: oversight during the audit, scrutiny of the recommendations, and follow-up after the report. Also indicate the timing for releasing the final report if regulatory deadlines must be met or if legislation must be initiated to implement recommendations.

II. SCOPE

The scope of this project is. . . **a general overall description, including the type of audit/project, the period to be reviewed, legal requirements to be followed, etc.**

In addition, the Contractor may be asked to perform other *financial and compliance audits of. . .*. If this need arises, such additional *audits* will be negotiated as separate amendment(s) to the Work Order, pursuant to Master Agreement Section 7.2 and the hourly billing rates in this Work Order.

III. OBJECTIVES

The Contractor will perform/examine/review. . . *specific objectives (including procedures) required for the project, including management letter requirements**

IV. FRAUD REPORTING

At any time during the project, if the Contractor suspects fraud, employee misconduct or any other significant finding, the Contractor shall immediately notify the County Contract Manager or his designee without contacting the auditee.

V. FIELDWORK DELIVERABLES

- A. An Entrance Conference shall be held no later than one week after the Beginning Date of the work Order.
- B. A practical work schedule identifying anticipated accomplishments for the first month of the project will be due on the beginning date of the Work Order.
- C. A detailed work plan will be due one month after the beginning date of the Work Order, and will include:
 - 1. The detailed work schedule for the remainder of the project.
 - 2. The responsibilities of each audit team member.
- D. Monthly written progress reports will be submitted to the County Contract Manager or his designee for the duration of the project. Each report shall be submitted on the third workday of the following month. The first progress report will be due _____, for the period ended _____. The County Contract Manager or his designee shall monitor the progress reports to ensure successful completion of the Work Order within the schedule. The reports shall contain the following information:
 - 1. Overview of the reporting period
 - 2. Summary of project status as of the reporting date
 - 3. Tasks, deliverables, services and other work scheduled for the reporting period that were completed
 - 4. Tasks, deliverables, services and other work scheduled for the reporting period that were not completed
 - 5. Tasks, deliverables, services and other work completed in the reporting period that were not scheduled
 - 6. Tasks, deliverables, services and other work to be completed in the next reporting period
 - 7. Issues to be resolved
 - 8. Issues resolved
 - 9. Any difficulties encountered by the Contractor that could jeopardize the completion of the Work Order or milestones or deliverables within the schedule
 - 10. Updated milestone chart
 - 11. Statement whether 75% of the Work Order Maximum Total Costs have been incurred
 - 12. Any other information which County may from time-to-time require

- E. Oral briefings between the Contractor and the County Contract Manager or his designee to discuss the audit findings will be held monthly on a date midway between the written progress reports. The first such briefing is scheduled for _____. Additional oral briefings will be held, as requested by either party, especially during the preliminary stages of the project. Representatives of the auditee will be included when appropriate.

VI. REPORT DELIVERABLES

Financial/Compliance Audit

- A. *Number* copies of the draft report shall be submitted to the County Contract Administrator by DATE. An exit conference will be scheduled within *when* of the date of the draft report.
- B. A final report will be submitted to the County Contract Administrator following the County's response to the draft report. Subsequently, the report will be transmitted to the County Board of Supervisors.

Number copies of the final report, a reproducible master of all materials, and a disk copy of the report in an IBM PC/Microsoft Office Suite compatible format will be supplied to the County Contract Administrator at the completion of the project. The final report shall include:

1. **Report on Examination of Financial Statements**

The report shall:

- a. Set forth the scope of the examination, state that the audit was made in accordance with Government Auditing Standards, issued by the U.S. General Accounting Office, as it pertains to financial and compliance audits and give an opinion on the financial statements.
- b. Include the financial statements customarily associated with such reports.
- a. Include such explanatory footnotes as considered necessary to disclose all material items.

2. **Report on Compliance**

The Contractor must report on the tests of compliance with applicable laws and regulations. The report shall contain:

- a. A statement of positive assurance on those items which were tested for compliance.
- b. A statement of negative assurance on those items not tested.
- c. A summary of all material instances of noncompliance and all instances or indications of illegal acts which could result in criminal prosecution.
- d. A summary of all costs questioned, if any, as a result of noncompliance.
- e. Recommendations for correcting instances of non-compliance.

3. Report on Internal Controls

The Contractor must report on the understanding of the entity's internal control structure and the assessment of control risk made as part of the financial/compliance audit. The report shall include:

- a. The scope of the Contractor's work in obtaining an understanding of the internal control structure and in assessing the control risk.
- b. The entity's significant internal controls or control structure including the controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial/compliance audit.
- c. The reportable conditions, including the identification of material weaknesses, identified as a result of the auditors' work in understanding and assessing the control risk.
- d. Any conditions noted, which are contrary to the program guidelines and grant award.
- e. Any findings and recommendations for correcting any deficiencies and/or weaknesses disclosed in the report on internal controls.

4. **Management Letter** (if applicable)

The Contractor shall submit a final Management Letter and 30 copies. The Contractor shall identify any problems noted. The Management Letter should include specific recommendations for improvements in the problem areas noted, and the auditee's responses to the recommendations. In addition, the Contractor should note in the Letter any procedures, controls, etc., that result in superior performance by the auditee.

Management Audit

- A. The Contractor shall submit drafts of interim reports to the County Contract Manager, if significant matters arise during the audit which require immediate attention by the County. The Contractor shall finalize interim reports as directed by the County Contract Manager or his designee.
- B. *Number* copies of the draft final report shall be submitted to the County Contract Manager by _____. The issues addressed in any interim reports must also be included. An exit conference will be scheduled with the County Contract Manager and the Department within two weeks of the date of the draft report.
- C. A final report will be submitted to the County Contract Manager ten days after County's response to the draft report. Fifty spiral-bound two-sided copies of the final report, a reproducible master of all materials, and a disk copy of the report in an IBM PC/Microsoft Office Suite compatible file format will be supplied to the County Contract Manager at the completion of the project.
- D. The final report shall be addressed to the Auditor-Controller, County of Los Angeles, who will be responsible for distribution of the report to the appropriate parties. The report shall be written in a narrative style, be improvement oriented and not problem oriented, and shall include:
 - 1. The audit scope, objectives, and methodology, with appropriate statements of any limitations or impairments.
 - 2. A statement that the audit was performed in accordance with generally accepted government auditing standards, and any deviations described.
 - 3. The Contractor's findings, with applicable recommendations, addressing non-compliance issues, problem areas, operational improvements, management control weaknesses, etc. If the Contractor recommends increases in resources (e.g., staffing,

technology, etc.), the Contractor must include performance measures and other information necessary to justify the recommendation.

The recommendations should be:

- a. Based upon an appropriate description of the related criteria, condition, cause and effect,
 - b. Classified according to order of priority for implementation, and
 - c. Numbered to facilitate follow-up discussions.
4. Noteworthy accomplishments and strengths of the auditee.
 5. The nature of any information that is prohibited from general disclosure by the County Contract Manager.
 6. The response to the report of the auditee's managers, including implementation plans.
 7. Significant issues needing further audit work.

VII. SUBMISSION OF DELIVERABLES

All progress reports, invoices, draft reports, final reports, and any other deliverables should be mailed or delivered to:

Mr. DeWitt Roberts, Chief
Audit Division
320 West Temple Street, Room 380
Los Angeles, CA 90012-3208

Attention: John E. Miller

AUDITOR-CONTROLLER'S AUDIT DIVISION OPERATING MANUAL CHAPTER IX WRITTEN COMMUNICATIONS

Section 3 - Guidelines for Effective Writing (Excerpts)

9-302 Characteristics of a Well Written Audit Report

The quality of an audit report, like most products, can be measured. It is generally accepted that a good audit report must be accurate, clear, concise, timely, and have the proper tone.

A. Accuracy

The audit report must be completely factual. All statements, figures and references must be based on the hard evidence or at least the best evidence available. All inferences, conclusions or auditor opinions that are not totally supported by hard evidence (but made on the best evidence available) must be so identified as such. Management must be able to identify those statements that are not (cannot) be supported by hard facts, so that they may draw their own conclusions. It is the auditor's job to persuade management to draw the same conclusions as the auditors, based on the evidence available.

The report must also be precise. Imprecise words will only add confusion to the report. For example, instead of "Only a few billings were processed on time", the auditor should identify specifically that "Of the 50 billings examined, 30 were processed three to six days late and 12 were processed seven to 20 days late." This will allow management to evaluate the seriousness of the problem in concrete terms.

B. Clarity

Clarity means ensuring that the reader(s) gets out of the report (interprets) exactly what the writer had in mind when the report was written. To achieve clarity, the writer must know the reader(s). He/she must know the background of the reader(s) to know how much background information and detail must be included in the report to ensure that the reader(s) will be able to clearly grasp what the writer is saying. The report must be written in a format and language that the reader(s) understands.

C. Conciseness

Conciseness means eliminating unnecessary words and including only as much as is necessary to get the point across. However, it does not necessarily follow that a report must be short. Occasionally, a great deal of background information and detailed discussion is necessary to give the reader a clear picture of a problem or to be persuasive in recommending the solution.

D. Timeliness

The report must be timely. A report is a request for action by management to correct weaknesses noted in current conditions. If the report is not timely, conditions may change making the report meaningless.

For audits expected to take an extended period of time, it may be beneficial to issue interim progress reports, particularly in situations where immediate action by management is needed. Interim progress reports may be brief, covering only one or two areas. Progress reports should be labeled as such to ensure that management is aware that they are only progress reports and not the final report.

E. Tone

To increase the chances for management's acceptance, the report must have the proper tone. The report should be constructive, placing emphasis on needed improvements and not on criticisms of past performances. The report should not concern itself with immaterial matters, and it should not identify individuals or highlight the mistakes of individuals.

9-303 Attributes of a Well Written Audit Finding

There are five basic attributes which are generally considered a necessary part of a well written audit finding: condition (what is happening), criteria (what should be happening), effect (so what), cause (why is it happening), and recommendation (what action should be taken). A sixth attribute, benefit (what positive things should result following proper implementation of the recommendation), is often the key factor in management's eyes and should also be a factor in the auditor's decision to make a recommendation. Each of these attributes are discussed below:

A. Condition (What is happening!)

This is a statement of an existing condition which the auditor believes is deficient. It is a factual statement describing what was found. (There must be quantitative and qualitative evidence to support the finding.) All components of the statement of the condition found must be accurate, well documented, and worded as clearly and precisely as possible.

B. Criteria (What should be happening!)

This is a statement indicating the criteria (rules, standards, etc.) used by the auditor when identifying a condition as being deficient.

The criteria may be:

- Written requirements - GAAP, published cost principles, federal and State rules and regulations, government codes, laws, etc.

- Opinions of experts.
- Prudent business practices.
- Managerial expertise.
- Organizational and program goals and objectives.
- Common sense - Warning, don't stray to far from authoritative sources. Common sense is allowable provided it is common.
- Verbal instructions.

C. Effect (So what?)

This is a statement indicating the actual or potential problems or losses resulting from the deficient condition. Whenever possible, the effect should be stated in terms; dollars (lost), time, productivity, number of transactions, etc. Where past effects cannot be evaluated or potential effects are more important, the potential effects should be stated.

Identifying the effect allows management to understand the significance of a weakness or deficiency. It also serves as a check on the overzealous auditor reporting immaterial findings - if the effect is not significant, it is often beneficial not to include the finding in the final report. The auditor who continually reports on petty findings will usually lose the respect and confidence of management.

Examples of possible effects include:

- Uneconomic or inefficient use of resources.
- Loss of potential income.
- Violation of law.
- Improperly spent funds.
- Inaccurate or meaningless records and information.
- Lack of or loss of control.
- Lack of assurance that the job is being done properly.
- Lack of assurance that goals or objectives are being met.

D. Cause (Why is it happening?)

This is a statement as to the reason(s) why the deficiency exists. The auditor must be careful that the cause identified is not superficial; the real, underlying cause at the heart of the matter must be identified. A constructive recommendation cannot be made unless the basic cause of the condition is identified.

Examples of identifiable causes are:

- Inadequate guidelines or standards.

- Lack of effective feedback devices.
- Lack of effective monitoring devices.
- Lack of communication.
- Unfamiliarity with requirements.
- Negligence or carelessness.
- Lack of resources.
- Conscious decision or instructions to deviate from requirements.
- Dishonesty.
- Failure to exercise good judgment.
- Unwillingness to change.
- Lack of planning, faulty or ineffective organizational arrangement or delegations of authority.

E. Recommendation (What action should be taken!)

The recommendation is the specific action being suggested to correct, eliminate or reduce the deficiency or weakness noted. The recommendation being made must be workable, reasonable, and not too rigid. It also must be specific, realistic, and helpful. The relationship between the cause of the deficiency noted and the recommendation being made to correct the weakness must be clear and logical. Finally, recommendations must be directed toward the level of management with the authority to take action.

F. Benefit (What positive things should result following proper implementation of the recommendation!)

The benefit to be derived by implementing a recommendation is the key to persuading management to take action. Unless management can be shown that there will be a significant benefit, they may be unwilling to make any changes. Changes of any sort often have a negative effect on employee morale and unless the benefit is perceived to be greater than the negative effects, management support may be limited or non-existent.

EEO CERTIFICATION

Contractor's Name
Address
Contractor's IRS Employer Identification Number

In accordance with Paragraph 4.32.010 of the LOS ANGELES COUNTY CODE, the contractor, supplier, or vendor certifies and agrees that all persons employed by such firm, its affiliates, subsidiaries, or holding companies are and will be treated equally by the firm without regard to or because of race, religion, ancestry, national origin, or sex and in compliance with all anti-discrimination laws of the United States of America and the State of California.

CONTRACTOR'S CERTIFICATION

(Check the appropriate answer)

	YES	NO
1. The Contractor has a written policy statement prohibiting discrimination in all phases of employment.	<input type="checkbox"/>	<input type="checkbox"/>
2. The Contractor periodically conducts a self analysis or utilization analysis of its work force.	<input type="checkbox"/>	<input type="checkbox"/>
3. The Contractor has a system for determining if its employment practices are discriminatory against protected groups.	<input type="checkbox"/>	<input type="checkbox"/>
4. Where problem areas are identified in employment practices, the Contractor has a system for taking reasonable corrective action, to include establishing goals or timetables.	<input type="checkbox"/>	<input type="checkbox"/>

Name and Title of Signer (Typed or Printed)

Signature Date